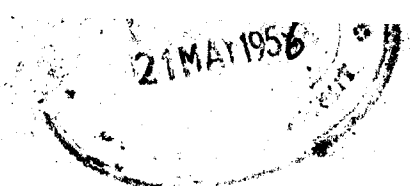


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The Economist

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ONE SHILLING

Back Again

Heirs of Stalin

1938-1956: A Retrospect

By Geoffrey Crowther

The Expanding Commonwealth

Clouds over the Motor Industry

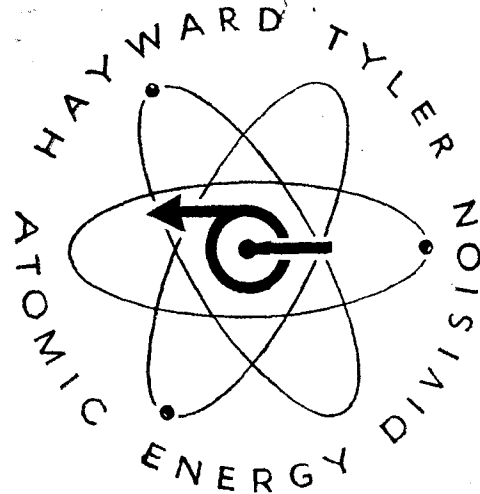
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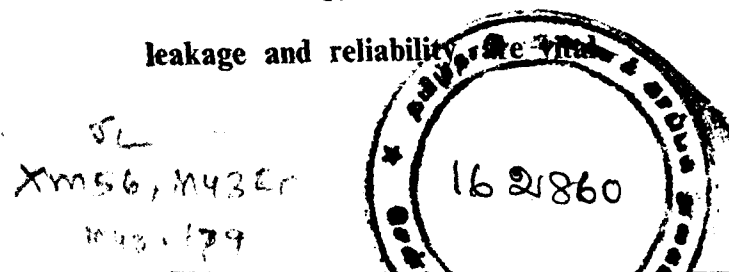
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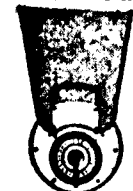
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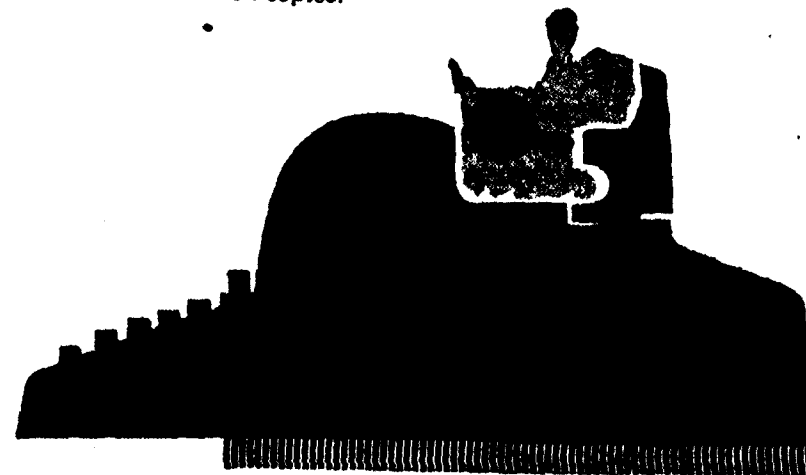


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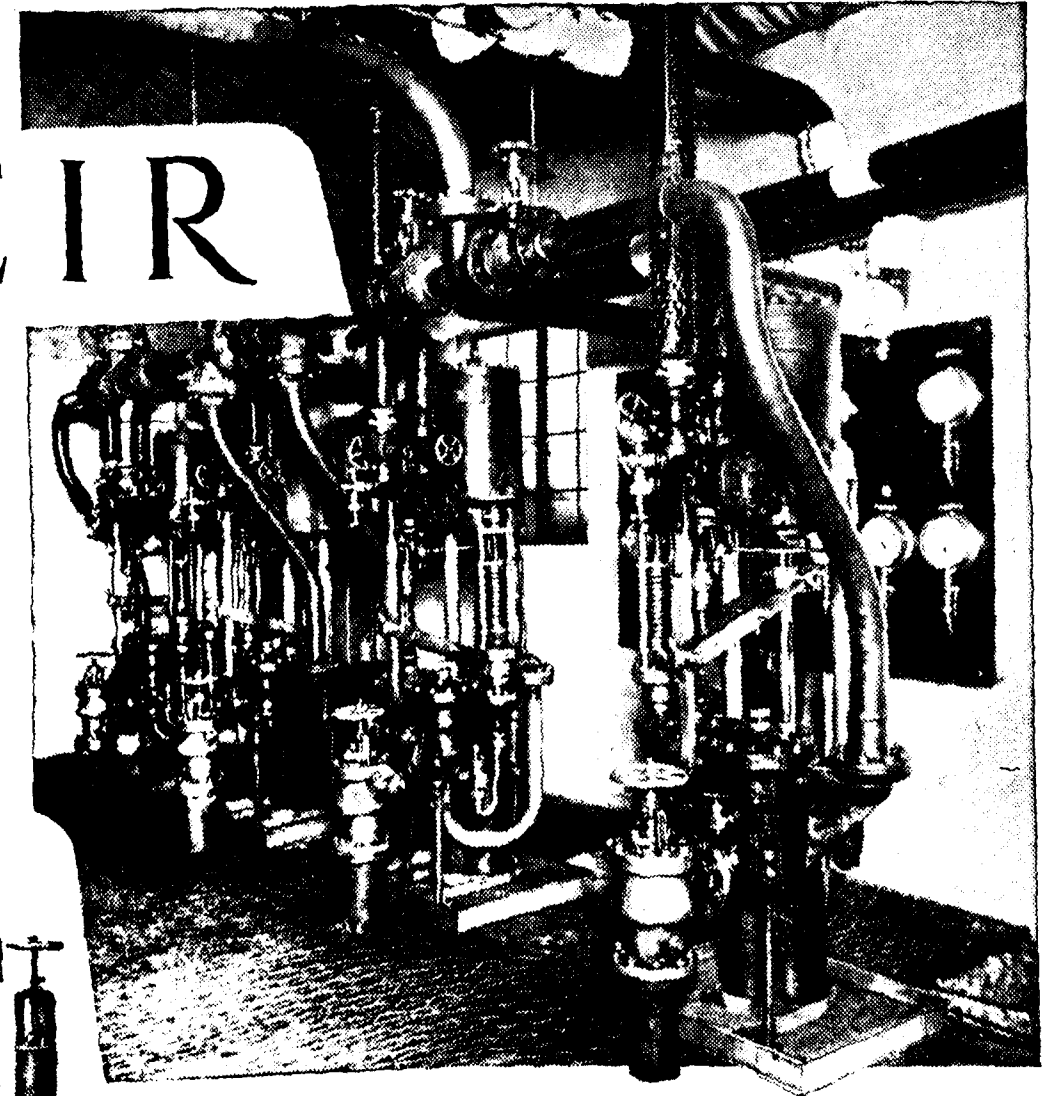
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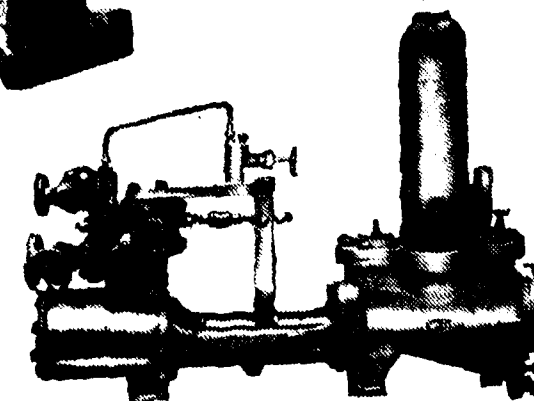
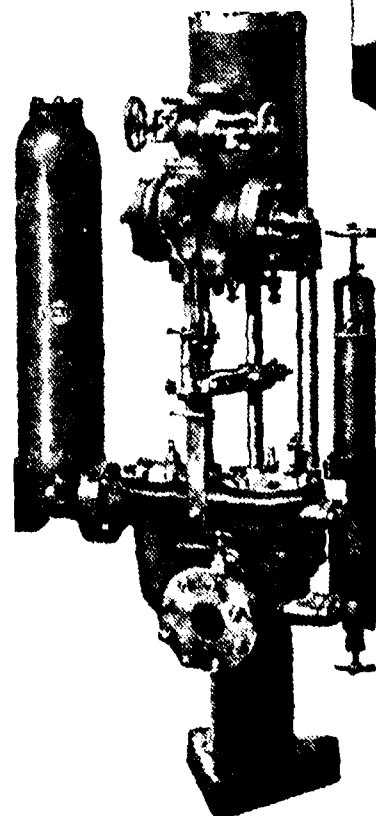
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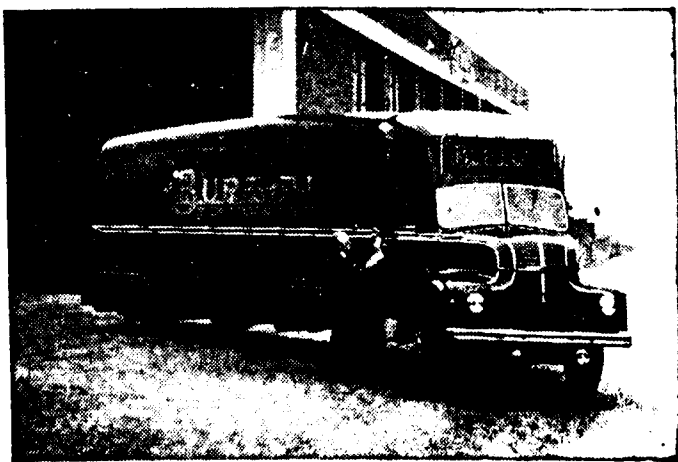
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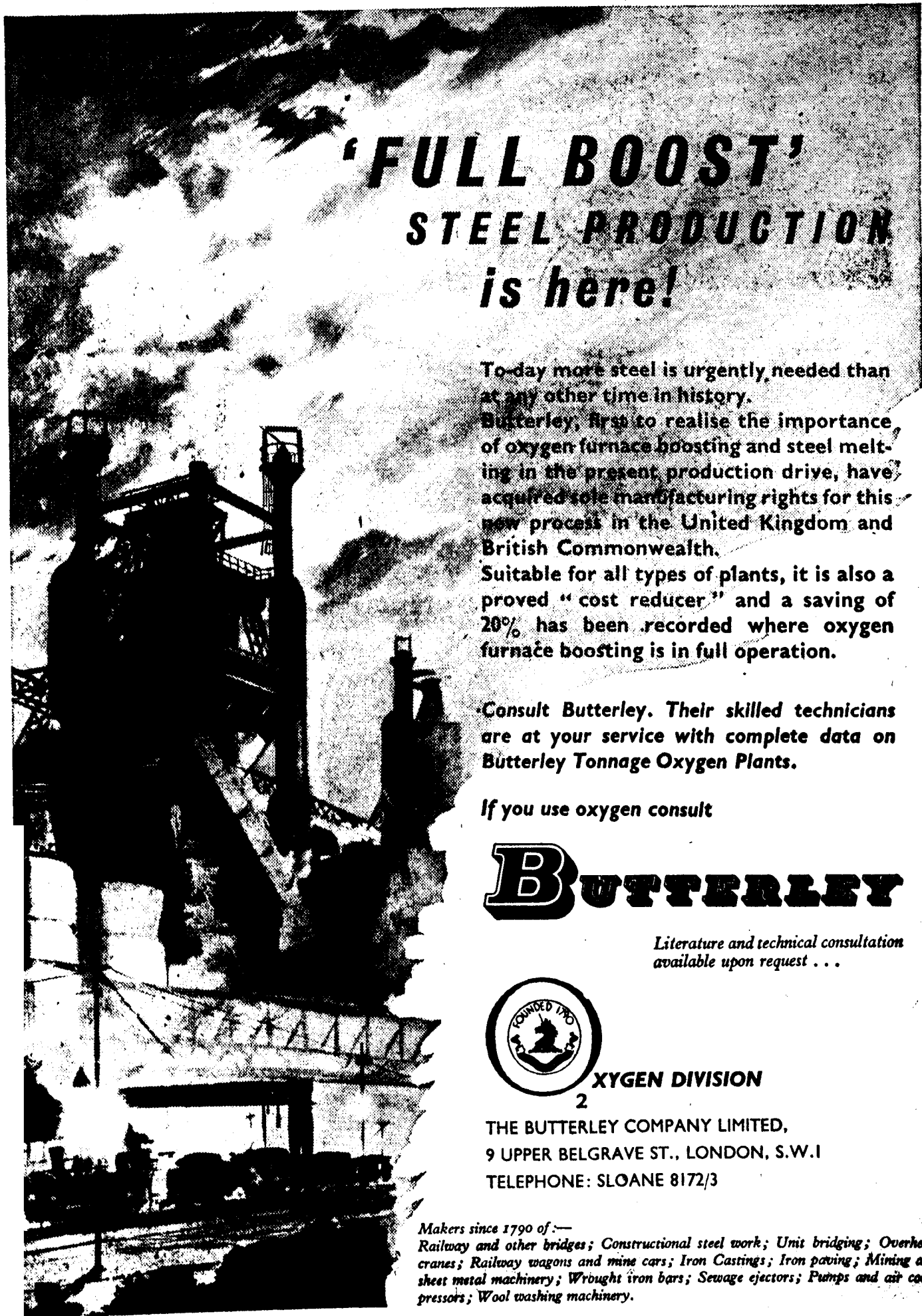
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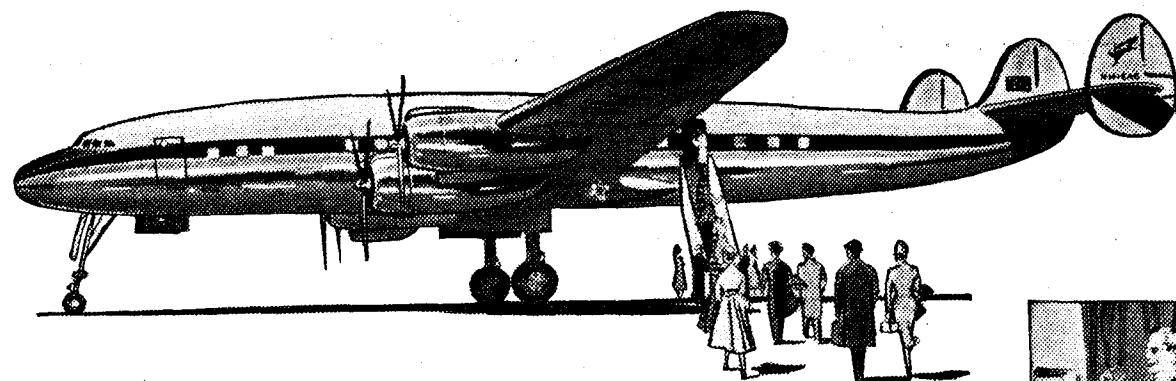
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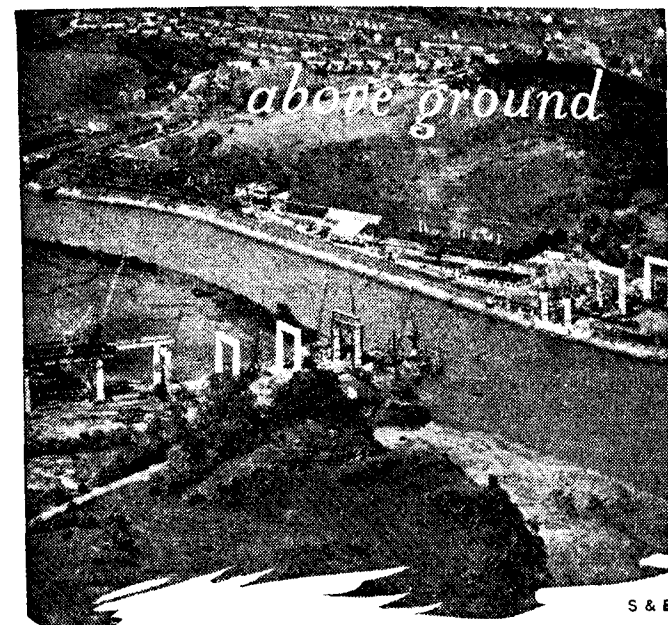


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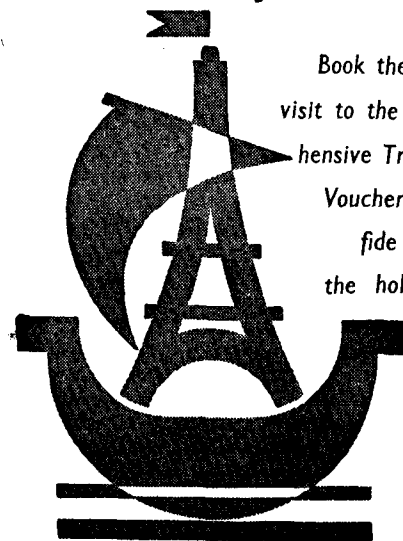
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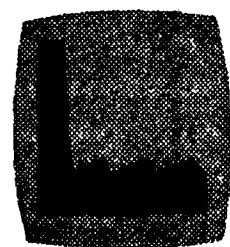
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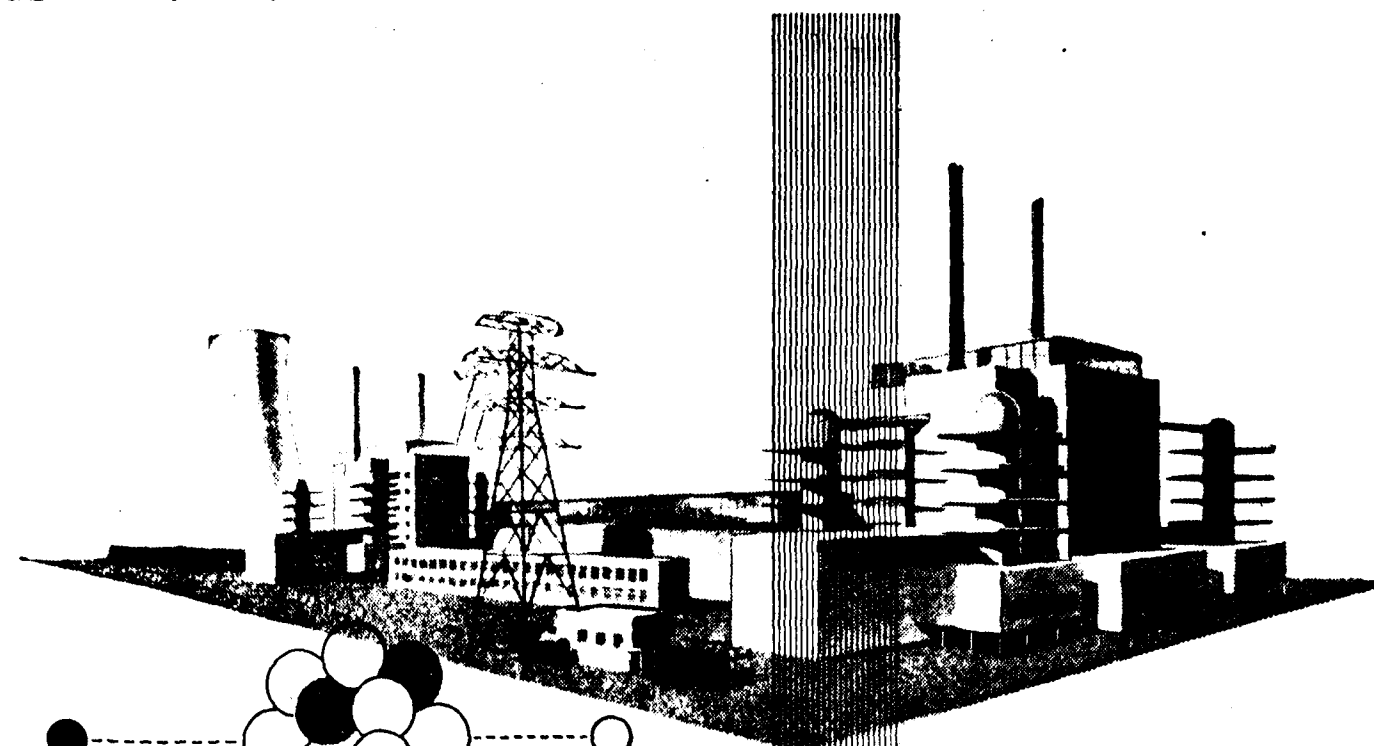
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The Economist

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APRIL 7, 1956

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Back Again

BACK again, a little breathless, with our London printers after seven weeks of exile, we owe readers an explanation—as well as our thanks for their indulgence towards our continental improvisations. They will wish to share in the expression of our gratitude for the willingness and workmanship of all those—managers, craftsmen and craftswomen—in three foreign countries who made possible the continued publication of *The Economist*.

Our troubles began when, with the bulk of one week's issue of the paper already set in type, production in London was brought to a standstill by the dismissal by the printing employers of the men whose restrictions had already for some weeks made publication increasingly difficult. The first emergency issue therefore, that of February 18th, had to be very hastily improvised and was, in fact, produced by photographic process in Belgium. In the second week, with no type set and no one to set it, it was necessary to make other arrangements; the issue of February 25th was composed and printed, at very short notice, in Germany. It was not feasible, however, to renew this arrangement. At even shorter notice we made our third and final move, to Switzerland, where for five weeks we were served with admirable efficiency and good humour by the remarkable staff of the Imprimerie Saint-Paul in Fribourg. Our experiences in this notable home of the printing craft are described in an article on page 49. There were, inevitably, shortcomings in our foreign editions. We have apologised for them, and do so again now. These were in no way the fault of those who printed the paper. It is now our intention to repair as far as we can in coming weeks the damage done to our services to readers and to the revenue that makes those services possible.

Certain points must be made quite plain. *The Economist* itself has had no part or voice in the dispute that made these wanderings necessary. When the members of the London Typographical Society were dismissed, because their calculated restraints upon working in pursuit of a wage claim made normal production impossible, we were deprived of our facilities for printing. It was our duty to our readers, and our right as publishers, to find other printers. The conscience of none of those who came so generously and so effectively to our aid need be troubled; ours is not. Whatever the rights and wrongs of the dispute—and the verdict of the Court of Inquiry is clear enough—the cause of the interruption, which has resulted in serious losses to printing workers as well as to London printers and their customers, was the resolve to press the union's case by making nonsense of the normal processes of printing and publication. In the outcome work has been resumed on terms which could, and should, have been agreed without any of this new-style Luddism. The printing industry has been too much plagued by these troubles; and so long as there is no lasting settlement between jealous unions as well as between masters and men the threat to freedom of printing and publication—and to readers' freedom—will remain.

Heirs of Stalin

WITH Marshal Bulganin and Mr Khrushchev on the doorstep, the interpretation of the latest events in Russia—upon which others may ponder for many a long day—is for Britain a task that will not wait. The death of Stalinism was as sensational as the death of Stalin, which the free world greeted with a certain complacency, anticipating a murderous struggle for power among the Soviet leaders. It is now inclined to welcome “the return to Leninism” as a symptom of harmony established among a saner leadership. But the latter judgment is as hasty as the former. Before concluding that the demotion of the tyrant has made the Soviet Union a less evil or the world a safer place, we should scrutinise the evidence.

The campaign for the vilification of Stalin opened by Mr Khrushchev and Mr Mikoyan is indeed probably dictated by more than Machiavellian considerations of expediency. The phenomenon may be regarded first of all as the bursting of a sewer in the Russian nation, comparable perhaps in scale to the revolution of 1905. Russian history is one long, sad tale of burst sewers. From time to time the accumulated extravagances of despotism awake among even the most submissive of peoples a desperate desire for some alleviation of injustice. We may take it that the mitigation of the terror which for decades has reduced the lives of millions of Soviet citizens to the subhuman level is in some degree a response to popular demand. As such, it is a matter for rejoicing, as Mr Gaitskell has said. By its own confession the Soviet Union has not yet achieved a valid system of law. In his report, Mr Khrushchev spoke of “an atmosphere of lawlessness and arbitrariness” and of “fabricated false charges against honest leading workers and rank-and-file Soviet citizens.” His remedies—“proper control by the party and the government over the work of the state security agencies” and strengthening of the state security agencies, the courts and procurators’ offices “by putting in tried and tested people”—hardly smack of an independent judiciary. But they are evidence at least of a temporary desire of the party and the people to establish something called “socialist legality.” In a country which has never had the slightest conception of the rule of law, legality must be a tender plant. But it is possible that the Stalinist experience has imbued a large section of the population with a taste for justice which no future government will be able entirely to ignore.

The attack on Stalin (which undoubtedly took wings from Mr Khrushchev’s personal ebullience) was, however, prompted by purely party considerations as well. The Soviet leaders, who are not as young as they were, have agreed among themselves to live and let live. The

formal denigration of personal rule is the sign of a compact between the members of the new oligarchy. At the same time, by a *tour de force* conceivable only in Slavo-Leninist circles, the Presidium seems to have persuaded the Central Committee that their own sordid complicity and cowardice during Stalin’s reign were a “historical necessity”; that, with a judicious admixture of new blood among the candidate-members, the same presidium should remain in office; and that in some wonderful manner the authority of the central committee itself will be renewed. It is not certain that this manoeuvre will stand the test of time before the millions who may well despise the lieutenants who licked the tyrant’s boots when he was alive. But as a ruling group’s manoeuvre it must rank as one of the boldest conjuring tricks in history.

For reasons of economic organisation, too, there was a certain inevitability about the changes after Stalin’s death. Indeed, some historians, even before he died, were maintaining that “Stalinism contained within itself the seeds of its own destruction,” that some of its most oppressive features designed to mould backward Russia into a modern state had already become superfluous, and that only the conditioned reflexes of the omnipotent ruler insisted on their preservation. Was not Stalin writing his own epitaph when he argued in the history of the party that “apparently great figures can be reduced to nothing if their ideas and aspirations go against the economic development of the country”? Stalin’s heirs now condemn him for having clung to the most shocking features of the regime—the terror, the concentration camps and the repulsive personal rule—when they were no longer necessary, not for the ruthlessness of his collectivisation or the industrialisation carried out at break-neck speed. Their condemnation is strictly limited. *Pravda* has already begun to rebuke those who, under the pretext of joining in the attack on Stalin, are injuring the party itself.

The theory of “collective leadership” has important implications beyond the frontiers of the Soviet Union, too. In Stalin’s day the whole of the European Communist bloc could be controlled from the Kremlin: the tyrant issued his ukases, and his police chief saw to their execution. Without the iron hand some other method had to be found of co-ordinating Soviet and satellite policy. It is probable that the restoration of authority to the Soviet Central Committee will be paralleled by a broadening of the leadership in the satellite states; further that there will be greater equality between the satellite and Soviet leaders in the highest Communist councils. In fact, the “return to Leninism” may prove a more genuine doctrinal tendency outside the Soviet Union than within it. This would be in keeping with the strategy of an oligarchy which wished to retain as absolute a power for itself as possible within the USSR, while

seeking a broader-based loyalty from the satellites than the Stalinist system permitted.

Soviet prestige in the non-Communist world will have been both damaged and enhanced by the disavowal of Stalin. Here the Presidium must have been faced with some nice calculations. The Far Eastern neutrals, and in particular Mr Nehru, will be impressed by the Soviet condemnation of arbitrary violence and henceforward more inclined to regard the USSR favourably as a benevolent economic dictatorship. Peoples accustomed to political democracy or endowed with a proper sense of the ridiculous will be less easily deceived by the precept, “forget the past, it was all Stalin’s fault.” Politicians who for decades have been struggling with the Communists for the leadership of the working class will not suddenly be eager to bury the hatchet. The fact that the Soviet Union is ridding itself of some of its more Mongolian aspects will be perceived as irrelevant to the main ideological issue. The Soviet leaders and fraternal Communists abroad are not democrats but totalitarians who seek to control the thoughts of their subjects by all the means of education and propaganda. With renewed vigour these ex-Stalinists assert that the western democracies are politically outmoded and economically incompetent; that by their cretinous attachment to “formal freedom” they are thwarting the true Historical Development of the planet towards Socialism. Nothing fundamental has changed in this holy war of ideas and systems. The improvement in the manners of Communism does not remove the Soviet threat to the western world, but may even make it more formidable.

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Responsible democratic leaders in north-west Europe could hardly be expected to swallow whole the new cult of Soviet respectability. But Mr Bulganin and Mr Khrushchev may hope for success among a good number of neutralist and nationalist politicians and intellectuals; for instance among those in France and Britain who are both anti-American and anti-German, and those Germans who are bent on reunification of Germany at any price. The Soviet leaders cannot have much confidence in converting the western populations to the Communist creed; too much blood and nonsense have flowed since 1917 for that. But they still see the chance of seducing enough western politicians to break the American-European alliance, and their simple mass appeal of “Peace”—which the west can take to mean “co-existence at any price”—is a handy tool for the purpose.

Where does the British population stand in this tremendous struggle? In Soviet eyes its allegiance or defection is certainly decisive. In order to shake British-American solidarity the visiting Soviet leaders will do their utmost; Mr Malenkov’s protestations that these are not the visitors’ intentions give the game away too clearly. To achieve their supreme objective,

Marshal Bulganin and Mr Khrushchev will make themselves extremely agreeable: no antic will be too extravagant, no words too effusive. By what standards should we judge their sincerity?

The Prime Minister has assured us that the visit is to be no goodwill parade, but a “serious meeting for political discussion”; but the topics of discussion—or is it negotiation?—remain undisclosed. Perhaps the government has prepared a list of minor grievances, such as the penal pound-rouble exchange rate, but no doubt it has larger matters in mind as well. Among the obvious impediments to good will are the jamming of British broadcasts to the Soviet Union, the exclusion of British publications, and the general policy which those devices serve: the persistent misrepresentation of British life and British policy by the whole totalitarian propaganda machine, ranging from *Pravda* to the English schoolbooks. The establishment of reciprocity in these fields is an elementary test of Soviet good will as well as a clear British advantage. Any communiqué that recorded neither success nor failure in this attempt would be a deplorable failure in itself. But the overriding question is whether the prime purpose of Soviet policy is to remain the creation of disturbance and tension—in Europe, in the lately emancipated countries of Asia, in the still dependent parts of Africa, and in the Middle East. Of most immediate concern to this country is the Soviet policy of disruption in the Middle East, where every situation detrimental to British and western interests is exploited even when—or particularly when—the Soviet Union has no moral or material interests of its own at stake. It can be argued that the reunification of Germany is at this stage too exigent a test of Soviet good will, but can the same possibly be said of precautions against war between Israel and the Arab states? In this connection the Soviet leaders can reasonably be asked to co-operate in a far more honest fashion than they have done in the Security Council yet.

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Since Marshal Bulganin and Mr Khrushchev are coming, it is necessary to make the best of it, without being beguiled by the hurrahs and the junketing; and this can be done only by specific initiatives of a testing, but intrinsically reasonable, kind. Any vague statement about “profitable *tours d’horizon*” will leave the British people with the stigma of having given open house to these two politicians, with their doubtful intentions and their more than doubtful past, to no purpose. The visitors must be told that the British, at any rate, are willing to “forget Stalin” only if Stalin’s deeds are effaced by different new policies. Without that positive effacement, the Soviet disavowal of Stalin can in the field of international relations be interpreted only as one more shift of an authoritarian regime bent on the destruction of all values and systems inimical to its own.

1938-1956: A Retrospect

By Geoffrey Crowther

IT has become a tradition of *The Economist* that the Editor should break the rule of anonymity once only, and that once when he departs. Tradition is compelling. But what to say? Anyone who for long pursues the calling of a jobber in opinions eventually arrives at the condition of an intellectual slot machine. If the penny is inserted, either by the asking of a question or by the happening of an event, then the wheels will turn and a nicely packaged opinion will emerge. But if the machine is invited to provide some general reflections on a subject of its own choosing, without text, it remains dumb. I must use the first penny that comes to hand, that of retrospect.

I became Editor on the night of Munich, and my introduction to the duties of the office was to sit up the whole of that night, re-writing my leader over and over again as the reports came in. I have thus occupied the editorial chair for 17½ years. This is a long time—I take pride in the fact that it is a longer time than was served by any of the most distinguished of my predecessors. James Wilson, the founder, conducted the paper for just over sixteen years, Walter Bagehot for seventeen years and five months, and my immediate predecessor, Lord Layton, for sixteen years and nine months. Thus four editorships, out of a total of only eight, have lasted between sixteen and eighteen years. It is a long time—and, in my judgment, long enough.

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It has been a long time, too, in the affairs of the world. From Munich to Malenkov is surely more than an ordinary span. And yet, in looking back, I find it difficult to decide whether it is the changes or the similarities with 1938 that are the most striking. Perhaps it is the similarities that deserve the greater emphasis, if only because there is such a widespread tendency to assume that "everything is different now" and that none of the lessons of the past has any relevance to the present. Certainly, in view of all the tremendous things that have happened in between, it is astonishing how very many people are still doing business of much the same sort, at very much the same stands, as before the war. And when I ask myself what have been the really important changes since 1938 in the content of the public affairs on which *The Economist* comments week by week, I am impressed by how insecurely established they are and how easily they could change back again. Let me illustrate this point by picking out what seem to me to be the two biggest changes, one in the home field, one in foreign affairs.

In domestic politics, by far the most far-reaching change has been the assumption by the state of responsibility for the condition of the national economy. A government today thinks itself responsible, and is

certainly held responsible by the opposition, for the state of trade, both in general and in particular. It may come as something of a surprise to have this classified as a change that has taken place since 1938. But right up to the outbreak of war, the accepted philosophy was that, since the power of governments to determine general economic conditions was very limited, it would be foolish of them to accept responsibility for what happened. Even in the Labour party, daunted by its complete failure in 1929-31 to hold back the waves of depression, there was very little sign of a practical policy to avoid economic fluctuations, beyond a generalised idea that nationalisation would perform this miracle, among the many others that were expected of it.

Now all that is very much changed. Both parties seem to accept without demur their responsibility for maintaining the economic health of the community. They differ on the methods they choose to employ, but not (apparently) in their confidence that they can do it. The new doctrine is so universally accepted that one would be thought very eccentric, and very reactionary, even to question it. Yet the odd thing is that this responsibility has been accepted without the slightest proof that anyone knows how, in fact, it is to be discharged. Indeed, the evidence is that neither party has had, at best, more than the most rudimentary control over the economic climate since the war. It is true that full employment has been steadily maintained, and as that is what matters most to the ordinary man; it perhaps accounts for the general illusion that governments have been successful in their economic policy. But full employment has persisted since the war all over the world, and it has certainly not been due to successful economic planning all over the world. Is it not much more likely that British full employment has been mainly due to this worldwide conjuncture than that the policies of the Labour and Conservative governments have created it? Moreover, when one looks at the specifically British problems, such as inflation and the balance of payments, it becomes obvious that the failure is pretty complete. What real reason is there to suppose that the degree of success will be any greater when, some day, through a shift in the wind, it is once again the forces of deflation against which a government finds itself battling? We may not inconceivably find ourselves back in the position of the thirties, and both sides, when in turn they have broken their teeth on the problem, may be ready to accept much more modest ideas about their ability to control the weather.

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In foreign affairs, one is tempted to say that the big change since 1938 is the invention of nuclear fission as a weapon of warfare or, linked with that, the emergence

of Soviet Russia as a potentially aggressive great power. But I do not think that either of these has yet made much difference to the conduct of foreign affairs. The problem for Britain has always been how to contain the potential master of the Continent, and the fact that he now speaks Russian, instead of German or French or Spanish, is not a fundamental change. Nor, alas, has the bomb, as yet, altered the nature of the nation-state or the way it conducts its affairs. Mr Molotov is still in the Kremlin as he was in 1938, and Sir Anthony Eden (still) at the Foreign Office.

The important change, to my mind, is neither of these but the emergence of the United States as a full-time great power and its willingness to form and lead a Grand Alliance. That is, indeed, a change. True, the Americans fought in the Kaiser's War, but they relapsed thereafter into the most dogmatic neutrality. It was not, in fact, very difficult, as the second war approached, to foresee that America would again be involved (the curious will find an article in *The Economist* of February 18, 1939, under the title of "What Would America Do?", which was a tolerably accurate forecast). But this was speculation; the European governments laid their plans, whether of offence or of defence, on the assumption that America would stay out. Had the United States been committed to intervene in full strength from the first moment of a European war, the first world war would probably, and the second world war would certainly, never have happened.

It still seemed most unlikely, when the second war came to its end, that the United States would actually accept the obligations and commitments of a permanent formal alliance. But the miracle happened (thanks to Stalin) and the transformation it has brought about in the diplomatic position is revolutionary. It is not simply that Britain, itself so often the balancing factor in Europe, now for the first time has an immensely powerful reinforcement at its back. That would be a great deal, but it is not all. The essential point is that, for the first time in modern history, the defending powers are virtually as strong, and as ready, as the potential aggressors. That is the great, the overwhelming, difference between 1938 and 1956 and, though nothing is certain in this dangerous world, I see in it the best assurance of peace.

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Yet this change also could be temporary. The Americans could change their minds again and relapse—hardly, indeed, into the indifference of the twenties and thirties, but into a sort of wary disengagement which, in its practical effects, might be almost as bad. What is really astonishing is how many people in the European democracies, and specifically in Britain, seem to be anxious to do everything they can to make the Americans change their minds. Even the Labour party, though its formal and considered policy rests absolutely

on the continuance of the American alliance, can resist no temptation to snipe at it, as if it could be taken so much for granted that it was proof against what anyone said or did. It is true that there is a great deal of foolish talk in America too, some of it in very high places. But it is not easy for any democracy to make subtle distinctions; one has to take the rough with the smooth in any policy. It is obviously better for Britain to have an America strong and allied, even if that means some wild talk, than an America talking the utmost good sense, but indifferent and uncommitted.

It is one of the most egregious complacencies of this very complacent epoch that the miracle of the American alliance should be so often treated in England with a shrug—that we should be able, for example, to invite the Soviet leaders to pay an official visit to London thinking only of the effect on them and on us and not at all (as it would seem) of the effect on the alliance to which we owe our lives. The opinions that *The Economist* has expressed on foreign policy have been based, every week, on the belief that the alliance should be fostered, not indeed by subservience (which is neither expected nor necessary) but by all the loving

The Peace Malcontents

Though the precise terms on which peace has been concluded are as yet unpublished, yet it is known that they are considered fully satisfactory by those who are in the secret, and it is understood that they embody, if they do not extend, the conditions which were agreed upon as the original basis of the negotiations. . . . In the midst of the general jubilee, however, there are several parties, whose views we can well understand and with the feelings of some of whom we can partially sympathise, whose satisfaction is not wholly unalloyed with misgiving and regret. First come those who have lost their best and dearest in the deadly struggle, and who would fain have honoured them by a grander and wider funeral-pile than was furnished even by Sebastopol in ruins and on fire. . . . There are others whose sentiments, though equally natural, are less excusable. There are many who in secret rebel at the sheathing of the sword till we had reaped a far richer harvest of glory; who feel that, as far at least as first appearances go, England has scarcely played a part equal to her vast resources and her hereditary fame. . . . Even to this regret, which is felt more widely than it is expressed, considerable sympathy is due; but those who are conscious of it may derive some counterbalancing comfort from two considerations: first, that it is the very magnitude and grandeur of our preparations that has rendered those preparations needless; that it is precisely because we were so ready and so desirous to strike that the blow was forestalled by the submission of our foe; and that we have gained the victory merely by showing that we were certain and resolved to win it. The second consideration is that the fortunes of war are proverbially doubtful, that the sun might not have shone upon our efforts exactly in the measure we anticipated, and that—though we will not affect a doubt which we do not feel as to our ultimate brilliant and conclusive success—yet that success might have been purchased by the sacrifice of many thousand citizens who will now live to serve their country, instead of dying to illustrate it.

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care that one would lavish on a precious plant now in full flower, but which might yet wither on the stalk.

And the moral of my two examples? Surely it is obvious, and apt to my opening theme. For I have not been trying to do anything so extreme as to argue that there is nothing new under the sun, but only that one should be sceptical of revolutions in human affairs. It is not my case that nothing ever changes, but only that one should beware of its changing back again. *Plus ça change*, if I may modify the old tag, *plus ça pourrait*

redevenir la même chose. Or, if I may take the same liberty with Kipling—

I tell this tale, which is strictly true,

Just by way of convincing you

How very little, since things were made,

Things have altered in the statesmen's trade.

And if that is true, then a journal of opinion which for over 112 years has tried to present a consistent point of view on public affairs still has a part to play. I have no doubt of the quality of its performance under my successor.

The Expanding Commonwealth

ONCE Sir Winston Churchill roundly declared that he had not become First Minister of the Crown to liquidate the British Empire. Since then his successor has been charged by some Tories with doing precisely that. The argument is mostly beside the point. The shift in world power and in national aspirations which has so sharply affected the periphery of Britain's old imperial interests, especially in the Middle East, is part of a larger world-wide transformation; and as the Empire shrinks the Commonwealth expands. The need is not for lamentation but for honest appraisal of the character and survival value of the expanding Commonwealth and of Britain's place and interest in it.

When the Commonwealth Prime Ministers meet again in June they ought to do more than arrange for an extra leaf to be put in the cabinet table as required. The Commonwealth is about to undergo its biggest change since India's determination to become a republic was reconciled with its wish to stay in the club. Nobody cares to define the Commonwealth too closely. Something of its continuing value, it can be claimed, is shown precisely by the efforts the Prime Ministers make, for all their diverse preoccupations and differing political timetables, to meet in person as often as they do. The Commonwealth works, it is said, and that is enough. But as a whole series of colonies on the verge of independence get ready to knock on the door, it is not inappropriate to ask what it now works towards.

The Gold Coast is at the head of the queue for admission; but what is ringing in a new era is the fact that quite suddenly there is a queue. It was thought not so long ago that the Gold Coast would be inducted into the rules of the club a long way ahead of other colonies. Now Malaya is aiming at full sovereignty by August, 1957, and Singapore is looking—less confidently—to the same date. The West Indies, though they have further to go, are now certain of independence as a sizeable federal dominion. The independence of Nigeria is slowed by the unpreparedness of the Northern Region; but the pace might well be hotted up at the constitutional conference next August. The Federation of Rhodesia and Nyasaland cannot change its constitution for another five years, in accordance with

the original bargain struck between Britain and the white settlers; but, when full sovereignty is given into West African and Malayan hands, it is not likely that the Rhodesians will remain content with their anomalous position, poised between the Commonwealth Relations Office and the Colonial Office, which allows their premier to attend the premiers' conferences by courtesy but not of right. When these aspiring members are all in, half a dozen more will be seen hurrying forward (whether really ready or not to stand on their own feet).

At one time it was supposed that the first African candidature would precipitate a Commonwealth crisis; South Africa would veto the Gold Coast's admission and the fat would be in the fire. This does not seem so likely now. A crisis over South Africa may come, but not over the question of the Gold Coast's credentials. In the first place, while Britain cannot force a former colony on the other members of the club, it is not certain that election has to be unanimous. South Africa could of course compel the other members of the Commonwealth to choose between it and the Gold Coast (and other colonies). But this would amount to Britain, Canada, Australia and New Zealand choosing between the Union, on the one hand, and a large part of Asia and Africa and the West Indies, on the other; it is not a choice that South Africa is likely to force. South Africa is increasingly conscious that the Commonwealth is the one club to which it can belong, and when there has been trouble in the United Nations, some if not all its fellow-members have on occasions been very helpful. And the alternative to having Britain's former African dependencies inside the Commonwealth is to have them outside, probably keeping dubious company. The pity is that just as Afrikaner resistance to Dr Nkrumah's joining the group has faded, Ashanti intransigence threatens to jeopardise it again.

But what is the group going to be and do and stand for in future? Setting the bounds of the Commonwealth wider still and wider (though no wider than the bounds reached in Kipling's day and indeed somewhat short of them) is hardly a definition of function. The new members will find it easier to grasp what it is not

than what it is. It is not, of course, the Empire they knew; the CRO will speak in very different accents to them than does the Colonial Office, even in these days. It is not an alliance, even of the loosest kind; to use words used recently in the Pakistan parliament, it does not in any way abridge their independence or curtail their liberty to have free foreign policies of their own. They can espouse policies that bring them into conflict with other members to the verge of war; nobody yet knows whether even going to war with another member requires resignation. But these contradictions form the only conditions in which Canada, India or Pakistan will stay in the Commonwealth, or in which newly-emancipated colonies will join it.

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What then, it may be asked, is the worth of so negative an association? For Britain, the Commonwealth is a gentle let-down, a featherbed of fine phrases and outward forms, to ease the psychological impact of the loss—now approaching its last phase—of a powerful Empire. Yet the phrases and the forms can still symbolise something positive and valuable that can persist. The new way of parting friends has prolonged Britain's influence in a way Holland might envy and France may soon sadly miss. It has given a short respite in which the adjustment can be made to the real loss of power, the consequences of which emerge nakedly from time to time, as for example, at Abadan. It has preserved the friendship of former dependencies. And it has kept up Britain's stock in America, though at times the consequences of Britain's real loss of power has dismayed Americans.

For the older dominions the Commonwealth has eased a new relationship into being. It can still mean Empire, home and the Crown to Australasians even as realities compel them to enter pacts like Anzus. The same overtones ease Canada's inter-communal problems, strengthen her sense of identity against the American neighbour, give her a springboard into Europe and indeed Asia. The value South Africa derives has been described; it may not even be fanciful to foresee South Africa clinging to the Crown as the time of reaping the whirlwind moves nearer. For the Asian countries the Commonwealth has provided two things—a fund of practical advice on how to be sovereign and influential in the comity of nations, and a springboard to the Western Hemisphere. These are also the advantages of Commonwealth membership to the colonies (there are some in Burma and the Sudan who miss them). When independent, they will at first be weak, undefended, underdeveloped and inexperienced states, though formally sovereign. Under Commonwealth aegis they will be helped to play a more effective part as sovereign states than would otherwise be possible; they will have ready-made backing for their diplomacy and in their negotiations in international conferences, political or economic; there is a Commonwealth associate in every clime.

But is not all this of temporary importance? No doubt it will become less useful as the new states develop. At the same time, the centripetal force of Britain will diminish—partly because so many personal ties will fade as a new generation appears which knew not the Raj (its good side as well as, in colonial eyes, its bad). If the Commonwealth association is to wax not wane in the next chapter but one, new ties must take the place of the Old Boys' Club.

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Common interests not sentiment or tradition—however strong—will alone keep the party together instead of gradually straggling in diverse directions. What clearly disrupts the Commonwealth community is not disputes among its members, but the adoption of repugnant ideologies. India can stay a member however neutralist and republican—but not if she became Communist. Non-interference in the internal affairs of members is a dogma and necessary condition of Commonwealth. Yet the development of racial discrimination as a culture in South Africa could strain it to breaking point. It is the clear break with a broadly liberal tradition that could be fatal. There is no community of religion, culture, language or race among Commonwealth members. Even the community of forms of law and government is dwindling. The outstanding problem of the new Commonwealth, as indeed at longer range of the world at large, is the problem of racial partnership. This is the plainest consequence of the great forthcoming change in its composition.

The common interests of the Commonwealth, if it is to hold together and thrive, will be found in every field: economic, strategic, diplomatic and political. But first for survival is the need for its races to live together. The Commonwealth, in fact, has become a multiracial association. It is predominantly Euro-Asian in nature, but it will become Euro-Afro-Asian. Its problems are the world's; its dissolution would be the world's loss. The growing points of the new association of equals will be found in its uniqueness in having a window on every part of the world. The task is to exert this cross-cut in human experience. New voices are now heard at the door; perhaps they will bring in with them new ideas about the way the Commonwealth should face its future.

Emergency Issues for Binding

Several of the emergency issues of *The Economist* are too large to be bound into the normal issues. Steps are being taken to reproduce these oversize issues in the normal size and an announcement will be made as soon as possible.

Notes of the Week

The Trials of Sir Anthony

A YEAR ago yesterday Sir Anthony Eden became the Queen's Prime Minister. Leaving aside the recent exaggerated criticisms of his personality as a Premier—and the still more exaggerated speculation about the security of his tenure—it is on the record of his policy that the anniversary deserves to be judged.

In foreign affairs, he has continued the control he exercised in his previous office; the just complaint here is that the continued control has been too detailed. In domestic policy, Sir Anthony's admirers put forward two claims: that he has not been afraid to take unpopular action, and that he has done this without splitting the nation in two. The first claim is justified, but the second is largely a rationalisation of an original campaign that has gone awry. When Sir Anthony acceded to control over domestic as well as foreign affairs, his eyes were on the new industrial and atomic revolution; just as Mr Baldwin's main contribution in the 1920s had been to educate Labour to responsibility in a new political situation, so Sir Anthony envisaged himself educating the trade unions to responsibility in a new economic situation, in which everybody was going to have a chance to advance to a middle-class standard of life. His misfortune is that he was prepared for a missionary endeavour, but instead has found himself having to send out diplomatic missions, to both sides of industry, in a drearily familiar atmosphere of crisis.

In this, he has had about as much success as a practised diplomat can have learned to expect—but no more; all the civilities have been maintained, but nobody he has talked to has yet changed his policy. The danger has always been that he might therefore seek to change his Government's policies in order to keep those civilities going. So far, and again in the tradition of a practised diplomat, he has not in fact done so; his support of the freeze on railway fares may have been an exception, but not a big enough exception to mar the whole year's rule.

A UN Missionary

MR HAMMARSKJÖLD has more than once proved an adept at quiet diplomacy, but his skill will be put to the most searching test yet when he sets out to fulfil this week's Security Council resolution on Palestine. By its terms, he is to go forthwith to the Middle East to survey the present state of compliance with the armistice resolutions between Israel and each of its four Arab neighbours, and to report back within a month on measures for reducing frontier tensions. When disagreements are acute, terms of

reference are important; he will therefore be bound to stick closely to a brief which Israelis and Arabs alike have been keen to confine within the narrow limits of the armistice. But even if he can begin to discuss functional frontier arrangements more efficient than those so far organised under the UN truce commission, he will have restored some lost confidence in the UN's capacity for handling disputes. He will work at one advantage—that of recent familiarity with the area. His fact-finding visit, paid on his way to Bangalore in January, renders him a familiar figure—an important quality in all the Arab capitals.

Unanimous consent to his mission was secured only at the cost of a wrangle in the Council. The instruction to him to act in view of a situation "likely to endanger" peace was contested by the Soviet delegate, Mr Sobolev, who sought to water it down after accusing the western powers of planning armed intervention in the area under pretext of preventing war, and in violation of the sovereign rights of small states. On Wednesday he withdrew his objections and won a clap when he voted for the original proposal, but still contrived to emerge from the contest as the champion of the Arab states. Everyone is pleased that the UN is back on the job; no one has paused to give credit for a useful initiative to the western powers, who, for once, deserve it.

No Sale

THE Government suffered a disappointing buffet last weekend to its more extravagant hopes that this summer's round of trade union conferences may "give a miss" to the formulation of new wage claims for 1957. At the first of these eagerly-awaited conferences, the shopworkers' union, meeting at Margate, told its leaders to start preparing a new claim as usual. The pattern of the conference was interesting because the executive of this union, as union executives go, is at present moving to the right. The successful motion condemning wage restraint was a composite motion culled from twenty or more diffuse resolutions submitted by local groups of activists. The only delegate to vote against the motion said that the Communists had had a hand in preparing it; so they probably had, but once a motion for more money is put forward, the rank and file on the floor vociferously support it. (The shopworkers were not alone in this last weekend, for the teachers' union did just the same thing at Blackpool.)

This motion against restraint bore down on a platform composed of instinctively restrained men. Mr Alan Birch and the other shopworkers' leaders are the sort of trade unionists who visit Downing Street wearing statesmen's hats; but at Margate they were all wearing tin helmets. The professional politician on the shopworkers' executive, Mr Padley, MP, said that acceptance of motions like this

was inevitable so long as the Government was handing out benefits to bankers (sic) and dividend drawers. Mr Birch himself said that he would like trade unions to follow an "ordered wage policy" and to seize the "opportunity to concentrate on the essential function of adapting wage levels to increased productivity"; but he, too, accepted the motion—in a speech that was plainly designed to explain to the outside world that he could not help it.

This experience makes it clear that the most that can be hoped for is that this year's union conferences, while calling for new wage claims, may not specify any figures that would embarrass their negotiators if circumstances change; the shopworkers did not, but as they embrace so many trades and grades, this abnegation was quite usual for them. Mr Macmillan's job in his budget should therefore be to bring about a shortage of money so that employers will not be able to meet excessive claims when they are presented. It would be futile to play with the idea of price freezes and special profits taxes in order to try to stem wage claims one stage further back, at conference level, in order to give union leaders "arguments for restraint" that, by the nature of these conferences, they can never use. Margate has shown that if there are no political talking points to justify formulating demands for new wage claims, then, so long as the over-buoyant economy lasts, even such staid leaders as Mr Padley and Mr Birch feel professionally constrained to invent them.

Books and the Bill

WHEN Parliament re-assembles next week its first task will be to consider the Restrictive Trade Practices Bill in committee. The principal amendment that needs to be made to the Bill becomes more and more plain: every effort should be made to persuade Mr Thorncroft that he should retain the existing powers of the Monopolies Commission intact, even after the new system is introduced. Unfortunately, most of the amendments to be proposed in the committee stage seem likely to be attempts to make the Bill weaker instead of stronger. One of the first claimants for exemption will be the book trade, in defence of its Net Book Agreement.

In form, this agreement is a fairly typical restrictive practice. Under it, a bookseller who wishes to obtain books on trade terms from any publisher is required to undertake to sell books at the net price fixed by the publisher; there is, however, a limit to the period during which a book can be sold only at net prices, and bulk orders from libraries and schools are not subject to the agreement. In return, the agreement allows the bookseller a margin for carrying on his business that varies from 33½ per cent to 25 per cent, according to the type of book and the quantity ordered. Although this margin may seem generous, it is probably only just about sufficient, in present conditions, to save many small booksellers—as distinct from shops that sell books only as a sideline—from extinction. The extinguishing of small, inefficient shops—in other words, the rationalisation of distribution—is, of course, one of the worthiest objects of the attack upon restrictive practices; but books have some claim to be a special case. Experience in other countries suggests that if most books had to be sold at newspaper kiosks and general stores instead of specialised

shops, the more literate type of book buyer would have reason to regret it.

There are therefore solid grounds for suggesting that the net book agreement should be able to justify itself to the new tribunal when the time comes. Unfortunately, however, the trade wants to go further. It is asking for direct exemption from Part II of the Bill, which prohibits the collective enforcement of resale price maintenance in all circumstances. Collective enforcement—in other words, a refusal by all members of the Publishers Association to grant any discount to a bookseller who breaks the agreement—is provided for at the moment; the trade says that it is the only sanction that can maintain the agreement effectively, and that individual publishers have not the resources to pursue an offending bookseller on their own. In this, the trade is almost certainly wrong. Individual publishers clearly would assert their legal rights if competition under the new order threatened to revive the booksellers' crisis of the nineteenth century; the prospect under the new system is merely that a few bargain sales of unsaleable stock might be made which it would not be worthwhile for publishers to stop, and the public has no reason to object to that. The publishers should not therefore be given a special licence for their obnoxious blunderbuss of collective discrimination; later, when other features of the agreement come up before the tribunal, commonsense may be on their side.

Comrades in Conference

A SPECIAL correspondent who attended the Battersea congress writes: It is a pity that there has been so much delighted speculation about what Mr Harry Pollitt may or may not have said at Sunday's private session of the 24th National Congress of the British Communist party; the outsider is always apt to overestimate the difficulty that party stalwarts have in squirming on to a new line. Simultaneously with Battersea, in the April issue of *Labour Monthly*, Mr. R. Palme Dutt wrote in public all that Mr Pollitt needed to say in private—and with engaging cynicism. Mr Dutt compared the new line with Lenin's "retreat" in Russia's new economic policy of 1921 and his temporary concessions to foreign capital:

Where old conceptions, however hallowed, have become an obstacle to the fullest and most unfettered response to the giant new opportunities and needs of the present and the future, such old conceptions have been ruthlessly thrown into the discard.

Mr Dutt concluded that, judged by the test of results, Moscow's new accounts of the past "are already proving themselves in practice." In short, if, by discarding Stalin, the West and the neutrals can be persuaded that Communism is peace-loving, democratic and altruistic, then the faithful will, for the time being, have to swallow this change of line just as they have digested others.

All this publicity served to obscure the most striking feature of the congress: which was the steady parade of evidence contrasting the weakness of the party as a mass electoral organisation and its strength in the factories and workshops. The circulation of the *Daily Worker* has again fallen; party membership is still short of 34,000; at the 1955 General Election the party candidates monotonously lost their deposits; the local government elections showed

losses in some traditional strongholds. In contrast, the shop-steward delegates were able to report successful trouble making at factories throughout the country. (An interesting feature here, incidentally, was the emphasis laid on the accentuation of the Communists' industrial effort in Scotland.)

One of the industrial representatives, in describing how effectiveness is built at the factory level ("For the first four months we did not mention politics"), pinpointed the basic dilemma of the British Communist party: its success depends largely upon hiding its identity. The more successful the disguise, the less the credit accruing to the party and the greater its difficulties in gaining new members. This essential frustration was put to the meeting by Mr Pollitt, but was largely ignored by the delegates—in spite of the fact that the party's national organiser and probable next leader, John Gollan, had previously elaborated the problem in the Cominform journal:

Many of our comrades are working as a ginger group in the trade unions and in the broad Labour movement. Comrades can become so involved with work in peace councils, in tenants' committees, shop stewards' committees, etc., that they have no time for work in party organisations. Working in such a way the party will never be expanded. . . . If we staff with our best people every organisation except our own, how can we have anything but problems in the party?

Mr Gollan's analysis of the danger to the party of excessive conspiratorial infiltration may be correct, but apparently he has failed to convince all his colleagues; when Mr J. R. Campbell, editor of the *Daily Worker*, dealt with the elections to the new executive, he refused to make public the names of some 156 nominations on the grounds that many of them hold influential positions in industry.

Icelandic Crack in Nato

MR KHRUSHCHEV's probing finger has opened the first real crack in Nato's solidarity. A resolution passed by the Icelandic parliament, calling for the withdrawal of American forces because of "the easing of international tension since the Geneva conference," accepts virtually the whole thesis of recent Russian propaganda: that the West can safely relax its vigilance because Communist foreign policy has changed. Mr Khrushchev has already tried the same approach on other Nato countries, notably Norway and Turkey. But there is an important difference between the Icelandic resolution and the twice-given Norwegian promise that Norway will not admit allied troops to its territory. Norway, like Denmark, has armed forces of its own which can run bases for Nato and help to deter an attack. Iceland has none, and the evacuation of American forces would leave only the most theoretical kind of link between it and the rest of the alliance. The Icelanders themselves can hardly maintain the present base effectively, since the resolution renounces all "military activities."

Iceland is valuable to Nato in three ways. It is a staging post on the transatlantic supply route; its three radar stations are part of the early warning chain that protects North America; and the airfield at Keflavik, though

equipped only with fighters now, would become an important bomber base if those in Western Europe were overrun. Its loss would be first blood to Moscow in the war of morale against Nato. Perhaps there will be a change of heart in Reykjavik after the general election in June. But the Communists are already arranging an electoral alliance with the left wing of the Labour party and the tiny neutralist "National Defence" group. If this alliance gains ground, the big Progressive party—which broke with the government on the present issue and swung the vote—is likely to be confirmed in its resolution to remove the allied forces. Moreover, Russia has a powerful economic grip on the island. Since the British importers imposed their boycott it has been one of the biggest buyers of Icelandic fish, and it now also provides most of Iceland's fuel oil. Moscow is unlikely to let pass any opportunity to reduce the effective strength of Nato from fourteen to thirteen *pour décourager les autres*.

A Warning from France

MOLLET's interview in *US News and World Report* shows that the differences and discrepancies in western views to which M. Pineau, the French foreign secretary, drew attention on March 2nd have survived the French premier's week-end at Chequers. The words of the communiqué then were true as far as they went. M. Mollet in his latest interview still emphasises French faith in the Atlantic alliance, the imperative need to keep Nato alive, and the absence of any French intention to go it alone. Such general attitudes do not deprive underlying conflicts of opinion of their importance; M. Mollet echoes all the complaints voiced earlier by his foreign secretary. He is worried by Western policy in the Far East as well as in the Arab world, by the manner of distributing foreign aid, and by the permanent American air of mistrust of all Soviet proposals. On the whole, French politicians still seem to think that the Western powers have not yet brought themselves to revise their strategy to match post-Stalinist Russia.

In a key passage of his interview M. Mollet actually goes further than his colleague. M. Pineau took pains at Bonn to dispel the fear that there was anything "heretical" in the French attitude to the reunification of Germany, but on this M. Mollet's latest pronouncement is anything but orthodox. He thinks it was a mistake at the last Geneva conference not to put disarmament at the top of the agenda, since the road to German reunification must lead through disarmament. The Russians may or may not ultimately accept reunification, but it is idle, in his opinion, to ask them to accept a Germany rearmed, united, and in Nato. The fact that the quota for a German army in a disarmament scheme might be lower than under the Paris agreements does not seem to disturb him. The right of a reunited Germany to enter Nato is for him a bargaining point, not a condition *sine qua non*. Above all, the West must show its good will on disarmament.

Mr Khrushchev's immediate approval will not help the French case much. The reason for this French insistence on the need to elaborate a popular policy, however, can be found elsewhere in this interview, when it is argued that France or Italy is more aware than the United States of

the attraction of the Communists' posture as champions of peace. Precisely because their soil is more fertile for Communist propaganda, the French consider themselves more able to judge the popular mood in Europe or the uncommitted countries of Asia. While these differences of view persist, the apparent quiet on the Western front will be periodically disturbed by bombshells from Paris.

The Disarmament Chessboard

As of a once famous egg, parts of the new Soviet disarmament proposals are excellent. Other parts are obscure, and yet others apparently mischievous. The Soviet idea of an international arms inspectorate has moved closer to the original western concept; but it seems that the Russians still want the inspectors' activity restricted to designated "objects of control," which would make their work futile if Communist regimes treated them as they have been treating the neutral supervisors in North Korea. Again, aerial photography by inspectors, so often denounced by Moscow, is mentioned in the new plan, but only as a "possibility" to be examined at some unspecified stage. The proposal to cut defence budgets by 15 per cent is of doubtful value as long as Soviet budgetary methods remain so secretive; the prohibition of nuclear arms in central Europe would prevent the West from staving off a Communist onslaught by using its tactical atomic weapons; and other clauses in the Soviet plan would obviously prejudice the prospects of both West German rearmament and German reunion. Above all, although the plan purports to be comprehensive, it deliberately sets aside the whole question of atomic disarmament.

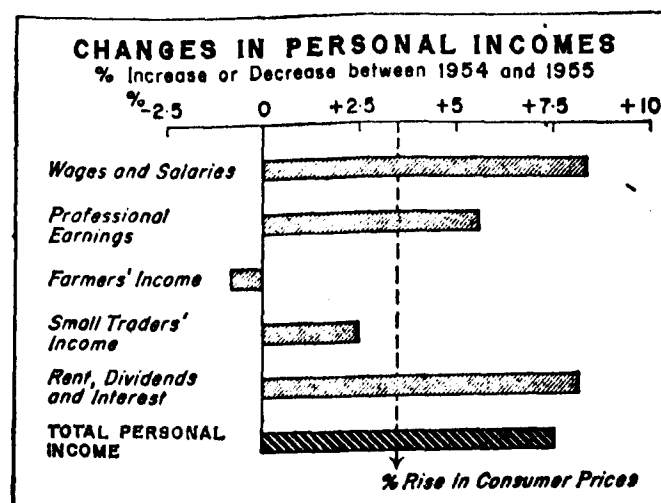
But the fact that the latest Russian terms are still unsatisfactory is no reason for refusing to discuss them. Only a careful probing can reveal to what extent the Soviet government now genuinely wants some degree of disarmament, and to what extent it may still be seeking merely to gain credit by making superficial concessions, or to widen rifts in the western ranks. In this last respect the new Soviet statement had a novel effect; the western governments' reactions were indeed confused and divided, but the most emphatic criticism came from the French representa-

tive at Lancaster House, not, as is more usual, from the Americans. The Russians, by putting forward an admittedly incomplete programme, seem indeed to have tacitly accepted at least part of the present American argument—that the prime need now is to agree on specific confidence-building steps—as against the Franco-British preference for a comprehensive programme, each stage of which would begin when the completion of the previous stage had been certified. But this strange, if only superficial, readjustment of positions only makes it all the more necessary to examine the new Soviet terms patiently.

Non-Co-operation

TRANSPORT HOUSE has had an unseasonable, though not very serious, rebuff from what is normally a quiescent corner of its rambling empire. The Co-operative party has shown at its Easter conference that while it may have no yearning for Enosis with the Tories, equally it does not want integration with Labour. The Wilson committee recommended last year that Co-operative Societies should affiliate directly with local Labour parties. At the moment the movement plays its part by financing a selected number of Labour and Co-operative candidates—giving them very plush election organisations and full-time agents—and then relies on those of its candidates that are elected to represent its interests in Parliament. Mr Wilson's alternative suggestion was interpreted by the Co-operators as both a threat to their independence and rather a cynical bid to get more money out of them while diminishing their influence. The idea was thrown out, and the party seized the chance of underlining the distinctive place it thinks it should fill in the empire of the left. It sees itself rather like Nehru's India, always ready with advice, yet free to opt out of the more disagreeable responsibilities of its position, such as German rearmament. Its line on such subjects so far removed from the shop counter is set by eager and usually left-wing political amateurs, who are tolerated by the business interests in the movement because they do a lot of unpaid work.

At last week's conference the business side of the movement was clearly uneasy about its failure to affect Labour policy, but the party as a whole showed little sign of abandoning its hunt for the best of both worlds. At the very moment when Labour leaders are rightly growing more cautious about national service, the Co-operative conference swept aside the qualms of its national committee and passed a straight "abolish conscription" motion. The Co-operative party's superficial approach to so many problems outside its own economic interests provides the obvious clue to its lack of political impact. It would carry more weight if it concentrated on the problems of consumers, of which it should have special knowledge. The delegate who feared that the Conservative and Labour parties might team up to nationalise the distribution of coal, bread and milk—to the detriment of Co-operative interests—was being highly fanciful; but neither of the main parties has shown a particularly tender regard for consumers whenever its own main interests are threatened. The defence of consumers is a distinctive role which smaller parties—and especially the Co-operators, if they want to continue to regard themselves as a separate party—could usefully adopt.



Source: Preliminary Estimates of National Income and Expenditure, 1950-55. (Cmd. 9729.)

More Dangerous than they Think?

MORE than 900,000 members of the Amalgamated Engineering Union had the right to vote in the recent elections for their new president. Just over 2 per cent voted for Mr R. Birch, the Communist candidate; just under 7 per cent voted for one of the other nine candidates; and more than 90 per cent did not bother to vote at all. The result was that Mr Birch headed the poll. By the rules of the union he will now go into a second ballot with the runner-up, Mr W. J. Carron; most industrial commentators seem to be assuming that Mr Carron will now pick up the votes of the other eight non-Communist candidates, so that there is no danger that the presidency—and with it much of the control—over the largest trade union concerned with the defence and export programmes may fall into Communist hands. Quite probably the commentators are right, but it is surprising that they are so unanimous. The key point that seems to have been disregarded is that 2 per cent was a suspiciously low vote for the Communists to run up in a union such as the engineers; one would have guessed that 4 per cent was nearer to their true strength. A little research suggests that Communist tactics at several recent union elections have been to try to get just enough votes on the first ballot to ensure that their candidate will qualify for the run-off, and then to turn out what the papers call “a surprisingly larger vote” at the second ballot when their opponents have been lulled to sleep.

It may seem fantastic to suggest that a union that is almost certainly 95 per cent anti-Communist may yet deliver its leadership into Communist hands by its failure to counter such tactics; but the answer to this charge is to look at the disproportionate strength that the Communists have built up on the AEU executive already. The reason is not that engineers are much more Communist than other people, but that they are called upon to vote much more often. With even district officials subject to election instead of to appointment—under a system whose origins date back to the 1850s, when engineering unionism started on the same wave of ideas and theories about elections as the Chartist movement of 1848—the ordinary AEU member feels that he is asked to get excited about a ballot practically every other month. It is this tediously repetitive “democracy” that leads to such very low polls and that is liable to give the union the sort of leadership that nine-tenths of its members do not want; the danger is the greater when to repetition is added complacency, as it is being added before this crucial run-off for the union’s presidency.

Still Higher Bill of Health

NEXT year’s estimate for the health service reflects the rise in prices during the year just ended. Twelve months ago, the estimate for 1955-56 was £462 million. The new estimate—£501 million—is thus 8½ per cent higher; but in the past year supplementaries, mainly to cover higher salaries and wages and higher prices, had raised the 1955-56 estimate to £478 million. Of the further increase of £23 million in the new year, just over

£3 million is accounted for by the hospitals’ expanded capital programmes. The hospitals are also estimated to need an additional £13½ million for maintenance, including £8 million for their salary and wage bill. Much of this latter increase is explained by higher rates of pay, but it is also estimated that the hospitals were employing about 7,800 more staff at the beginning of the new financial year than on April 1, 1955.

To that extent at least, therefore, there has been a rise in the real cost of the health service as well as in the financial cost. A new service is also being provided in the polio-

HEALTH SERVICE ESTIMATES
(£ mn.; figures rounded off to nearest million)

	1954-55	1955-56		1956-57
		Original	Final	
Net total cost (excl. civil defence)	437	462	478	501
Of which:—				
Advances to hospital boards	311	332	343	359
For maintenance	299	320	330	344
General practitioner service	59	62	62	63
Pharmaceutical service gross cost	54	55	57	59
Less patients’ payments	7	7	8	8
	47	48	50	51
Dental service gross cost	34	36	41	43
Less patients’ payments	8	8	7	8
	26	28	33	35
Ophthalmic service gross cost	14	15	14	14
Less patients’ payments	6	6	6	6
	8	9	8	8

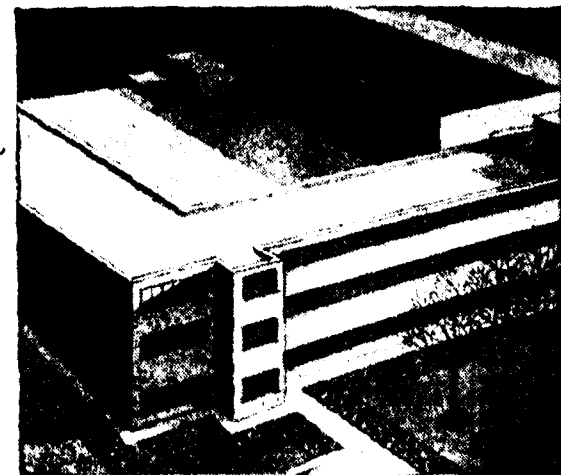
myelitis vaccination scheme, which is estimated to cost about £1,800,000 in the new year. Small increases in the cost of dentists’ and chemists’ bills also represent a bigger demand for treatment rather than higher rates of pay for those providing it. But it is probably true to say that this year the health service as a whole, as mirrored in these estimates, will be costing about the same proportion of the gross national product as in 1955-56. An uncertain factor is the doctors’ claim for more pay. No specific demand has yet been put forward, and no allowance for an increase seems to have been made in the estimates.

Rakosi Clears Rajk

MR RAKOSI’s admission that Laszlo Rajk and his seven co-defendants were the innocent victims of a “framed” trial is as startling in its way as Khrushchev’s revelations about Stalin. The former Hungarian Minister of the Interior was accused of plotting with Marshal Tito to murder Rakosi and other prominent Hungarian Com-

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EUROPE IN PERSchweppTIVE

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For literature and art, know that France is the



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Written by Stephen Potter. Designed by George Hain

SCHWEPPEVESCENCE LASTS THE WHOLE DRINK THROUGH

munists, overthrow the Hungarian government with the help of Yugoslav troops and instal himself as a "Titoist premier."

It is over six years since these and other even more improbable charges were laid against Rajk and his associates. But the Hungarian people are not likely to have forgotten that all the defendants pleaded guilty to everything, that their "defence" counsel eagerly stressed the truth of the indictment, and that after three of the accused had been hanged and the rest sent to gaol, Comrade Rakosi was effusively thanked for the vigilance with which he had exposed the traitors. Naturally Rakosi does not now shoulder the blame as six years ago he accepted the praise; he shuffles it on to Peter Gabor, the notorious chief of the Hungarian secret police who two years ago was denounced as the "Hungarian Beria" and packed off to life imprisonment. Few will be seriously deluded; and it is inconceivable that Rakosi would have risked such damaging admissions without strong Soviet pressure.

In Russian eyes, the rehabilitation of Rajk is designed to remove a serious obstacle to the closer Yugoslav-Soviet rapprochement for which Moscow is angling. For there was a ninth man on trial with Rajk—Marshal Tito; and he was more venomously accused than any of the actual defendants. It is also a logical part of the degradation of Stalin; having decided to wipe the Stalinist slate clean, the Russians can hardly leave the satellites out of account. The process will not stop short in Budapest. The Rajk trial was only the first of a series which culminated three years later in Prague with the trial of Slansky and Clementis. Already there are reports that the trial of Traicho Kostov has been declared a mistake; he was put into the dock in Sofia only seven weeks after Rajk, and, unlike him, repudiated parts of his "confession" in court.

It is too soon to tell where all this leads. Will the purgers be purged in the end? It seems unlikely that Moscow deliberately wants to go as far as this, although the dismissal of the Greek Communist secretary-general Zachariades may be a straw in the wind; he replaced General Markos after the latter had become implicated in the "Titoist conspiracy." But the process that has been set in train in eastern Europe is bound to be deeply unsettling; its reactions may not prove controllable.

Indonesian Prospect

THE programme of Indonesia's first elected government wisely lays stress on education and economic planning. President Soekarno, administering the oath of office to members of the parliament elected last September and only now assembled, said last week that Indonesia was entering a phase of "planning and investment," in contrast to the phase of "revolution" from 1945 to 1949 and of "survival" from 1950 to 1955. The new programme tacitly recognises that the success of this planning phase will be partly determined by the extent of foreign technical and economic aid, which, it is stipulated, should be on a commercial basis and without strings.

While the opportunities for British investment in Indonesia are not yet attractive enough, there is no doubt that more could be done than is now contemplated in providing credit facilities for Indonesian purchases of capital equipment in Britain. On a long-term view, indeed, enlightened self-interest counsels that British industry should not neglect

the huge potential market of Indonesia's 80 million people. Purchasing power goes hand in hand with education and rising living standards. Now that English has replaced Dutch as the foreign language taught in Indonesian schools, it is important that facilities for higher education for Indonesians in the United Kingdom should be made easier.

Politically, the outlook in Indonesia is brighter than at one time seemed likely. Until some weeks ago there was some reason to fear that Dr Ali Sastroamidjojo, the dominant figure in the National party (PNI), which topped the poll in the republic's first general elections in September, would be impelled to invite the Communists to collaborate with him in forming a government. He had accepted parliamentary support from the Communists during his last premiership, and indeed had permitted the party to expand its activities and its membership throughout Indonesia. Dr Ali has again assumed the direction of affairs in Jakarta, but there are signs that he has learnt the bitter lesson of collaboration with the extreme Left. At all events, the Communists are in opposition and the two Islamic parties—Masjumi and Nahdatul Ulama—are in the government.

Tight-fisted Trade Unionists

THE Trades Union Congress published last week a survey of *The Finances of Trades Unions*, based on information supplied by 123 unions with nearly 7 million members—85 per cent of the affiliated membership. It points out that while workers' earnings are on the average three times as high as in 1939, union contributions have risen by only about a quarter in the same period. As many as 25 large unions have not increased their contributions since 1939, and some not since 1920. It pays better now to stay a manual worker than to become a district official, and the security of a union post is no longer a draw in these days of full employment. No wonder that one union complains that the quality of district officials has deteriorated. It would be carrying self-criticism too far to say anything about the leaders at the top, but their quality, too, will shortly be affected—if it is not already.

It is ironical that union members, who argue so passionately that their wages should be adjusted to every point's rise of the cost of living, are so vehemently opposed to any similar adjustment in their contributions and to giving a square deal to their own representatives. One result is that reserves amount to only a little over £8 per member—a good deal less than an average week's earnings. The unions, which continually warn the Government that its policies will produce unemployment, are in no state to meet even quite slight recession.

Short Time on the Dole?

SHOULD workers who are on short time get unemployment pay for the day or days on which they are not working? Two conflicting decisions on this question have been given in Coventry by local tribunals of the Ministry of Labour—strangely enough under the same chairman. Three weeks ago the tribunal refused an appeal by the Transport and

General Workers' Union, on behalf of its members at the Standard factory, against a decision of the labour exchange not to pay unemployment benefit. Last week, in contrast, the tribunal allowed a similar appeal by the Amalgamated Engineering Union on behalf of 700 men at the Lockheed Hydraulic Brake Company. Officials of the TGWU say indignantly that the two groups of workers had identical agreements for a guaranteed week, and that in the past the Standard agreement had always been considered to entitle its members on short time to benefit. The tribunal, however, was guided by a recent decision in the Scottish light castings industry. The muddle must now be sorted out by the National Insurance Commissioner, who has been asked to give a decision as soon as possible.

At present the Government's intention to shake out the labour force is defeated in the Midlands by the fact that it pays a man to earn £12 on a four-day week in a motor factory rather than move to another job where he is paid less for five days. The companies, for their part, are naturally anxious to hold on to their labour until it is possible to distinguish a decline in demand from the return of seasonal fluctuations. But it would make rather a nonsense of the policy if men on short-time are wedded the more firmly to their present jobs by being paid by the State for their day off.

Strydom Reaches the Rubicon

SOUTH AFRICA has come to the moral crisis of *apartheid*. The report of the Tomlinson Commission, which has just been published after being in the government's hands for 18 months, will be a test of the Nationalists' political honesty. It shows how difficult and costly it would be to establish genuine *apartheid*—a system in which whites and Bantu would form separate societies, each inhabiting their own regions but enjoying comparable opportunities for improving their standard of life. Development of industry, agriculture and towns in the proposed native zones would call in the first ten years for a capital expenditure of £104 million, virtually all of which would have to come from "European" sources. White men would have to build up the Bantu industries, too, in the early stages at least, and supervise the redistribution of land that will be necessary if the black population is to feed itself. Yet the Tomlinson report expects that by the year 2000 all these measures would have cut the number of Bantu living in "European" areas by only a third, and that they would still outnumber their white neighbours.

The first Nationalist reaction to the report, to judge from *Die Burger's* comments, is non-committal. Mr Strydom and the apologists of *apartheid* face a difficult decision. If they accept the Commission's recommendations they will lay a heavy burden of subsidies on the white population, while at the same time they diminish the supply of cheap Bantu labour for the white sector. But if they ignore the recommendations, then their only proper course will be to drop *apartheid* altogether. The temptation will be to carry out a few of the report's proposals, but to decline the major responsibilities which it imposes, and to leave the majority of the Bantu where they are now—second-class citizens, serving the white man's society but unable to enjoy

most of its benefits. This will be equally indefensible by the National Party's own professed standards, and by those of the outside world.

"The Apple Cart" in Cambodia

THE resignation as prime minister of the ex-king of Cambodia looks like another of the calculated pranks this shrewd politician is so fond of playing. There has always been method in Prince Sihanouk's apparent frivolity. His self-imposed exile in 1953 gave weight to his demand for independence; his abdication in March, 1955, enabled him to go into politics; and his resignation last January enabled him to demonstrate that he was indispensable. This time, he seems to have resigned in what might be called a fit of extreme neutralism.

Left to themselves, the leaders of emancipated Asia tend to be anti-Communist and neutralist; and Prince Sihanouk has been making it quite clear that he wishes to be left politically to himself. When he visited the Philippines in February, he praised his hosts' armed forces; but on his return he announced that Cambodia would not join the South East Asia treaty (Seato), although nobody had suggested that it should. And when he visited Peking last month, he denounced Seato in the strongest terms. Now it is reported that he has resigned because of the unkind things American newspapers have been saying about his Peking visit. Neutralism could go no further.

His visit to China itself need cause little alarm, though the West might have wished that the Prince had been a little more restrained in his praises for Chinese friendship. It can indeed be argued that Prince Sihanouk's visit clarified Cambodian foreign policy in a useful way. Pnom Penh's relations with Peking were bad after the Geneva agreements of 1954 had recognised Cambodian independence. They deteriorated still further last May when the Cambodians accepted American military aid on a very modest scale. Since then Prince Sihanouk's sweeping success in the general election in September has convinced China and its Viet Minh satellite that the royal regime in Cambodia is there to stay, and that relations with it must be "normalised." Cambodia remains firmly anti-Communist on the home front. And, denunciations of Seato notwithstanding, the Cambodians will continue to enjoy its guarantees whether they join it or not, and whether or not they agree to be "protected."

Dr Salazar's Practice

MANY people to whom Portugal has long been known as a corporative state will have been surprised to hear that only now is its Assembly considering a Bill for the setting up of the first corporations. At first sight this seems as odd as the recent creation of a national health service in Sweden, where socialist ministries have been in power for a full generation. In both cases, however, first appearances are misleading. Dr Salazar has preached his corporative theories ever since he became prime minister of Portugal in 1932; but, in putting his theories into

effect, he has shown a pragmatic attitude not universal among professors of economics. Although he passed straight from Coimbra university to a virtually unchallenged position of power, he has chosen, in all that concerns his dearest doctrine, to persuade rather than to impose. One after another, workers' syndicates and employers' guilds have been brought into being in various sectors of industry, agriculture, fishery and commerce. In some cases these organisations have been charged with abusing their power—and in some cases the charges have been justified. But by and large the Portuguese, who had undergone decades of economic anarchy and insecurity before Dr Salazar was called in to end the chaos, have come to recognise the value of his corporative institutions, simply by watching the syndicates and guilds at work.

In the early years of Salazarism ugly symptoms of infection from Mussolini's very different corporative system showed themselves. These have long disappeared, and the hotheads who wanted to see Portugal a totalitarian state have become politically insignificant. The prime minister's aim is the exact contrary; he hopes that the power of the state will be permanently curbed when the syndicates and guilds are finally fused into corporations, one for each branch of economic or professional activity, and the corporations in turn represented in the upper house of parliament. (The present upper house, although known as the Chamber of Corporations, is no more than a makeshift.) A good case can be made out in support of his belief. In some eyes, however, there remains a danger that the corporative structure might be corrupted into an instrument of absolutism by any future head of the government who did not share Dr Salazar's unusual qualities of humility and pragmatism.

Mr Cox and That Box

MR GEOFFREY COX, the editor-designate of Independent Television News, will not be free to take up his duties for another few weeks; but it already seems clear that he is going to inherit a more stable empire than the one Mr Aidan Crawley renounced. This is another proof of the almost inviolable rule that the right sort of leader for a pioneer movement is a man who has enough money to walk out of it as soon as commercial interests start their counter-attack on his ideas. When Mr Crawley resigned in January he urged that the service should be taken over by the Independent Television Authority itself, at least until the main contractors were thoroughly established. This the ITA has declined to do, but Mr Crawley's *démarche* has secured two important results. It has led Sir Kenneth Clark to declare that, in the interests of the balanced programme called for by the Television Act, there should be at least twenty minutes of news a day on each programme; and there is every indication that it has put some of the people who had been nibbling into the news programmes on the embarrassed defensive.

The question remains whether the ITA's refusal to take over the news company—which now seems to be quite definite—is a good or a bad thing. On the whole, it is a good one. The happiest innovation on the television screen in the past six months has been the ITN's ability to do things that the BBC was formerly afraid to

do: to thrust microphones before the faces of Communist delegates going into Battersea Town Hall, and even to hold interviews with Easter brides that would once have been regarded as below radio's dignity. If the news service had now been directly subordinated to an Authority whose operations are constantly questioned in Parliament, much of this staff vitality might have been lost; and the BBC might also have lost some of its new vitality by emulation. The ITN has had plenty of trouble in its diapers stage, but the remedy is not to thrust it from them straight into official corsets.

Leakages Trial in Paris

FRANCE'S biggest political trial for years has made little popular stir. Some of the most important figures of the Fourth Republic have appeared as witnesses in this affair of leakages of military secrets. But it all happened in the past, towards the end of the Indo-Chinese war, and the mass of conflicting detail is bewildering. It is established that proceedings of cabinet meetings dealing with military matters "leaked," probably through the defence secretariat. The head of that body is accused of negligence and two of his assistants of passing on information, possibly from political motives. The mystery is deepest round the fourth accused, the journalist Baranès, on whom the incriminating documents were found. Did this protégé of the former police inspector and present Poujadist deputy, M. Dides, really get the stuff from the Communists? Was he a tool of the police, a double agent, or simply an informer who worked for the highest bidder? After four weeks of heated argument there is no sign of a firm answer.

The political aspect of the case is somewhat clearer. The leakages are not a key to the French disaster (since those at issue occurred after Dien Bien Phu), but a legend to that effect would suit those politicians who for years prepared neither for peace nor for war. Some of the guilty men undoubtedly tried to shift the burden of responsibility on to the prime minister to whom it fell, at Geneva, to liquidate the resulting bankruptcy. M. Mendès-France has proclaimed in the witness box that such whispers of treason reached Allied ears, too, and that when he came to London in the autumn of 1954 some Western colleagues looked suspiciously at a premier supposed to have "Soviet agents" within his own cabinet. The smearing campaign is not over. Indeed, the counsel for Baranès, M. Tixier-Vignancourt, ex-Vichyite and now deputy of the extreme Right, is using this military court as a stage for it, and impartial Frenchmen regretfully admit that he is getting more scope for his antics than any other counsel in the trial.

It may be natural for a military tribunal to show the partisans of war to the bitter end more sympathy than it shows the peacemakers. Yet the affair holds a warning. Algeria is nearer home than Indo-China. What scapegoats will be sought if new blunders are made, what circuses will be needed to justify new sacrifices? Tempers are rising already, suspicion spreads, and the colonists' lobby claims a monopoly of patriotism. If things are allowed to get out of hand, the advocates of a reasonable peace may be scared into silence—or, if they dare to speak up, the chorus of "the Fatherland is in danger" may drown their voices. It is to such a tune that republics are interred.

Letters to the Editor

Divorce by Whose Consent?

SIR—Although your comment on the report of the Royal Commission on Divorce is more intelligent than the report of that commission, it too fails to ask the fundamental question in this matter: "What is the moral basis for public interference in the private lives of individuals in a society which believes in individual freedom?"

The principles on which our present divorce laws are based and which the Royal Commission would perpetuate derive from the old ecclesiastical courts but as such they are as antiquated as the Lord's Day Observance Acts. It is commonly accepted in England today that the state has no right to prescribe the religious beliefs of its citizens; it should follow from this that it has no moral right either to seek to enforce by legislation standards of behaviour based on religious concepts like "the sanctity of holy matrimony." The only valid basis on which a free secular state can interfere in the right of its citizens to unite and part at will is the protection of the interests of innocent parties: in this case, the children of a broken marriage, who are usually the first to suffer. Childless couples should be free to divorce by common consent, with no questions asked by the court except to ascertain that the material interests of both parties are properly safeguarded.

In the case of couples with children under the age of 18 divorce suits should be heard by special courts of psychologists, educators, social workers and similar persons. Their terms of reference should not be whether one parent, both or neither has committed adultery or other "matrimonial offences," but whether the interests of the children and their right to a proper, stable and happy education require the dissolution of their existing home or its continuance even against the wishes of either or both parents. If the break-up of the home is found to have been due to personality defects in one of the parents the court might well withhold from that partner the right to remarry at least until such time as he has been cured of those defects. Such a procedure would not only be fairer to the children of any threatened marriage, but would also tend to inculcate in people a greater sense of the responsibility they are assuming when having children.

Apart from its irrelevance to the main issue which should be considered in a divorce court, there is another reason why the concept of "matrimonial offences" should be eradicated as soon as possible from English law: like capital punishment, it is a gold mine

for the pornographic Sunday press and does more to bring the institution of marriage into disrepute than any rise in the divorce rate could ever do.—Yours faithfully, F. E. LAMOND
London, S.E.9

He Eats Buganda

SIR—It is necessary to revise the incorrect impression given by your special correspondent on February 25th.

The endeavour to make parallel King Charles II's "I care that for parliament" with the Kabaka's conduct towards a new constitution which he signed under oath is not only malicious but a travesty of the facts calculated to mislead your readers. It is unfortunate that your correspondent appears to quote circles in Entebbe, which gives the sad impression that there exists there dissatisfaction over the implementation of the new agreement and constitution which has only found vent through his pen. Closely following this is the indication that the electors in Buganda did not freely make use of their right to appoint such leaders as they knew had the cause of their country at heart.

It is dismal to think that alleged complaints by the Resident about misunderstandings with the Buganda Ministry should find their way to your correspondent before they are released to public scrutiny.

One cannot fail to see the funny side of the suggestion that the Protectorate government can now back-pedal on its own policy solemnly undertaken on October 18th by tightening the financial reins of Buganda.

The unwisdom of mentioning such a controversial subject as the proper distribution of powers of the Protectorate courts is amazing. At one stage your correspondent presumes to speak for the Government, and states that "direct action" and "correctives" in this year of grace would still deter a people whose objective is in fact self-realisation.

The Kabaka's government welcomes criticism, but constructive criticism. It is to be regretted that so ill-intentioned a correspondent should resurrect the old accusation of separatism against the Baganda which was vented against us when the Kabaka was first exiled in November, 1953. He does not even state in what respect separation has been shown. No one is more anxious than the Baganda that the unity of the Protectorate of Uganda should be preserved and enhanced. In fact it was suggested to Her Majesty's Government by the committee which went to London to draft the constitution that a meeting should be called of the representatives of the different African local govern-

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ments so that problems which are peculiar to us as Africans and indigenous inhabitants of the Protectorate should be discussed.—Yours faithfully,

MUSA K. PARMA
Mengo, Buganda Information Officer

What's Cooking?

SIR—Your article of March 10th exposes the folly and menace of the egg marketing scheme. It is significant that the farmers' unions are represented at the inquiry by two directors of packing stations, and have called no independent trade experts or economists to support them. It is remarkable too that the Poultry Association of Great Britain and the Eggs and Poultry Association are completely against the scheme so far as it involves an egg trading monopoly.

Your remark that the Government has accepted the scheme may be misunderstood. The Government has gone no further than to agree that the scheme has enough support to be considered, and in the first instance to be the subject of a statutory public inquiry at which objections may be heard. Whether or not the Government may eventually be forced to accept it, will depend both on the results of the inquiry and on the extent to which public opinion can be mobilised against the proposed egg monopoly before it is too late.—Yours faithfully,

E. M. H. LLOYD
Society of Objectors to Compulsory Egg Marketing, W.C.2

Mr Blundell's Agonising Choice

SIR—Kenya settlers may indeed be blind as your correspondent suggests in your issue of March 10th, but they are not so blind that they cannot see a number of factors which have clearly been overlooked by him.

For instance, in expressing his views on the common roll issue he appears to have overlooked the existence of a large and on the whole prosperous Asian community, and to have ignored the obvious implications. I would suggest that the reason why the Africans have not resisted the communal roll principle contained in the recent legislation is more likely to be due to recognition of those implications rather than to the theory advanced by your correspondent.

I do not intend to comment in any detail on your correspondent's representation of the views attributed to the "Majority Group," because modifications to the Lyttelton Plan are now being discussed and I do not wish to prejudice the outcome. All I can say is that in so far as they are accurate, they have been given an unfortunate twist in presentation. Furthermore, I cannot believe that any member of the "group" would have expressed the view that any particular line of action "would quickly bring Britain to her knees." On the other hand it is common knowledge that when the Lyttelton Plan was introduced the Elected Members were faced with the

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alternatives of acceptance or suspension of the constitution, mainly on the grounds that the Government at that time could no longer withstand the onslaught of the united European opposition. So it is perhaps unwise to under-rate the European as a force in Kenya politics and it would be correct to say that the members of the "Group" have no intention of so doing.

Lastly I feel bound to say that I find the omission of Mr L. R. Maconochie Welwood's name from the list of Elected Ministers "who have borne the heat and burden of the day" rather remarkable. Not only was he one of the three to be appointed under the Lyttelton Plan, but since last autumn he has been Minister without Portfolio and a member of the War Council. He assumed these duties when the "Emergency" had ceased to be headline news but when it was by no means over, and he has also had to deal with the intractable problems connected with the post emergency period.—Yours faithfully, L. R. BRIGGS
Naro Moru, Kenya

Growing Pains in Bahrain

SIR—May I draw your attention to two points in your article in your issue of March 24th which, in my opinion, do not represent the facts.

First, it is inaccurate and exaggerated to say that "there are eight hundred Bahrainis being educated in Egypt." The fact, according to a very reliable source, is that the number of these Bahrainis does not exceed twenty. In the light of this fact, therefore, any speculation about the potential influence of these few Bahrainis on the political thought in Bahrain—to be inferred from your analysis—would be out of place.

Secondly, it is misleading to describe the national movement in Bahrain as "anti-British." It is merely a struggle for a democratic government which has been, perhaps unwisely, denied and obstructed by an autocratic British adviser, Sir Charles Belgrave, who has been looked upon as having exercised unlimited arbitrary powers. On the other hand, I believe that the protection of Bahrain by Britain against what you called the "absorption either by Saudi Arabia or by Iran" is not of any importance in this respect. This is because, so far as Saudi Arabia is concerned, the two ruling families of Bahrain and Saudi Arabia are on friendly terms. As for Iran, its claim to Bahrain is imaginary for two reasons. First, there are no international grounds supporting Iran's potential attack on Bahrain. Secondly, Iran's case in Bahrain, which is predominantly populated by Arabs, is without any support.—Yours faithfully,

M. HUSSAINI
London School of Economics, W.C.2

[The source for the figure given was a broadcast from Cairo on March 13th, when Abd al-Aziz Shemlan, a member of Bahrain's Higher Executive Organisation, was heard to say that 800 Bahrainis were attending schools in Egypt preparatory to entering Egyptian universities.—Editor.]

Books & Publications

The American Political Tradition

THE DECLINE OF AMERICAN LIBERALISM.

By Arthur A. Ekirch, Jr.
Longmans. 414 pages. 42s.

CONSERVATISM IN AMERICA.

By Clinton Rossiter.
Heinemann. 340 pages. 21s.

HOW liberal is America? asks Mr Ekirch. More important, how conservative is it? answers Mr Rossiter. The argument is raging along the whole American intellectual battle-front at the moment. These volumes are only the latest in a series of literary sorties of which there are obviously many more to come. Together, they represent ground gained for the conservatives. Some allowance has to be made for the shifting terrain itself, the soft soil of definition which so often gives way beneath the combatants' feet and reveals that they have been trying to advance their theses by an imprecise use of terms. This is particularly true of Mr Ekirch, whose re-examination of the record of American liberalism suffers badly from his failure to state exactly what he understands liberalism to mean. Mr Rossiter is considerably more careful; if he occasionally surprises us by statements such as "the liberal cannot challenge the conservative's peculiar claim to the preference for liberty over equality," at least we can be sure that he has made them with his eyes open. Unlike some American political theorists, Mr Rossiter treats language with scrupulous respect. With affection too; as a result his book, though vilely printed, is a joy to read.

Mr Ekirch's object is little less than to roll back the orthodox interpretation of American history, to refute the view that it has been a liberal evolution, a march of democratic progress. He is not content to settle for the current hypothesis of the disappointed Left, that the evident neglect of liberal values in contemporary America is a passing phenomenon. He sees it as nothing less than the culmination of a process which has been in operation from the moment the ink dried on the Declaration of Independence. The Jeffersonians lost the first great fight for the liberal dream, the Jacksonians won theirs but only at the price of costly concessions to the planter and the mob. The Civil War left behind a permanent legacy of illiberalism, which the Gilded Age invested at a handsome rate of interest. Populists and progressives perverted the liberal faith they professed. The two cold wars exalted military above humane values. The New Deal and its successors substituted the ideals of security

and equality for freedom and diversity.

It is a formidable indictment, and Mr Ekirch marshals a large body of evidence for it—enough to make his book stimulating and rewarding reading. But he lacks the qualities of synthesis necessary to make his indictment stick. It is not hard to itemise the elements of illiberalism in the American story. But the need is to produce some answers to key questions. Why, for example, did the alienation of the liberals from the Republican party of the twenties become so total? Why did the New Deal get involved in such illiberal contradictions of means and ends?

Paradoxically Mr Rossiter's book, though not intended primarily as a history, comes much nearer to giving us the clues to these and similar problems. This is because the author has a clear-cut apparatus at his disposal—a bit too clear-cut the historian may complain—but at least one which enables him to establish distinctions, to trace cause and effect, to make some worthwhile judgments—of both morality and expediency. Mr Rossiter's greatest difficulty is, of course, to establish that conservatism is not un-American. For this he has partly (and frankly) to rely on the paradox that the American "political tradition is so conservative about liberalism that it has made liberalism . . . a national faith." But beyond this he shows that there is an American Right which has some, though not all, of the attributes of conservatism and can lay claim to a respectable share of the American political patrimony. What it lacks is a sense of responsibility, a genuine self-confidence, or a twentieth-century programme.

Mr Rossiter is too good a conservative himself to presume to cover this nakedness by reach-me-down garments from his own intellectual wardrobe, but his sharp and honest book should at least convince some of the Emperors that the time has come to get themselves some real clothes.

Tory Father Figure?

MY FATHER: The True Story.

By A. W. Baldwin.

Allen and Unwin. 360 pages. 25s.

ALIVE and in power, Baldwin was an enigma to his contemporaries. To the Conservative rank-and-file he was a kind of "father figure," dedicated to the comfortable ideal of safety first. Others, nearer to him, often wondered uneasily whether the figure was not stuffed. His lack of response to great challenges, his unwillingness to appear possessed of original ideas, his dislike

of modern methods of communication, all suggested a dullness which was misleading. Yet he had shown unmistakable marks of greatness, and in that collection of moving and beautifully constructed speeches, which is published but now too little read, future generations of Tories may find as much to instruct them as in the speeches and writings of Disraeli.

To many of the present generation Baldwin, dead and discredited, is no enigma at all. How the hatred and disillusionment of panic-stricken people recoiled on him when he was nearing death is horrifyingly described in his son's book. The myth of his duplicity over rearmament at the 1935 election is still widely prevalent. Given immense publicity by Sir Winston Churchill in a passage lacking generosity as well as comprehension, it was revived in Mr G. M. Young's disappointing biography even after it had been utterly rejected by historians who had carefully analysed the evidence. To many people Baldwin is still the politician who "put party before country," whose "lips were sealed" because he was ashamed of the truth, who bought an election victory at the cost of young men's lives in war.

In twenty years from now, a definitive biography can perhaps be written which will establish Baldwin's proper place in history. His son's book does not—and is not intended to—do that; nevertheless, it has provided important foundation material for a later work. Its greatest value is not that it refutes most of Mr Young's errors and misconceptions, for others have done this, but that it provides an invaluable and utterly convincing portrait of Baldwin as a man, together with the family and industrial environment which made him. Apart from an occasional floridity of style, it is a pleasant book to read.

There are two important gaps in the story. This book, of all those about Baldwin, should have given us some clue to the riddle of his extraordinary abdication of leadership between 1930 and 1935. Mr Young attributed it largely to indolence, but this is not wholly convincing. The second omission may be deliberate. But it is essential, in order to appreciate Baldwin's achievement, to emphasise the value and the success of his patient struggle after 1926 to improve industrial relations and to narrow the chasm between Left and Right.

Magyar Antagonists

MEMOIRS.
By Nicholas Horthy, Regent of Hungary.
Hutchinson. 268 pages. 25s.
MEMOIRS OF MICHAEL KÁROLYI:
Faith Without Illusion.
Cape. 392 pages. 35s.

IN these two books the Pope and the Grand Heretic of Hungarian nationalism confront one another, the conformist and the nonconformist. Horthy's original German version has been somewhat diluted, with regard to Károlyi, in the English translation, but the confrontation remains a bitter one. Károlyi accuses Horthy of handing over

the Austro-Hungarian Navy to the Southern Slavs on October 31, 1918, as if the Emperor had not commanded him to do so by his signal of October 28th. Károlyi also asserts that Horthy was the first to declare the non-existence of the monarchy in a protocol referring to "the people of the formerly existing Austro-Hungarian monarchy"; Horthy himself translates the text of the protocol as "the nations hitherto comprising" the monarchy. A few pages later Horthy repeats a traditional indictment of Károlyi: that on March 21, 1919, he "turned 'to the world proletariat for justice and help' resigned from office, and relinquished power 'to the proletariat of the Hungarian peoples.'" Károlyi himself shows how he was cheated into this situation, which he would never have created willingly.

So much for the recriminations of Magyar political antagonists. Horthy's book is smooth with official commonplaces: it is unremarkable, but not uninteresting nor deliberately dishonest. It therefore has its value as a historical document compiled from the seat of authority. Moreover, it expresses the point of view of the class which ruled Hungary until 1944.

Of that class Michael Károlyi was the *enfant terrible* who rejected both its privileges and its slogans. The lord of huge estates in northern Hungary, already in 1919 he gave away his lands to his peasants. For this he repudiates the glory—"it being no sacrifice on my part, as I had no developed sense of property. This is more natural to the bourgeoisie, which had accumulated its possessions by its own efforts. But even amongst my own class I was known for feeling no attachment towards my possessions, and therefore my so-called generosity was no merit of mine." He goes on later to assert that if the rest of the Hungarian nobility had been more benevolent, Hungary might have escaped the Communist regime of today.

Károlyi's belief in a Danubian federation is more convincing. For he discarded the Slavophobia of his compatriots, and, even before the end of the first world war, he desired Hungary to free itself from the bonds that bound it to the two German empires. Instead he believed that Hungary should seek reconciliation with the Slav nationalities within and beyond its prewar frontiers, and enter into a Central European federation of democracies. This was certainly a less sterile policy than the uncompromising revisionism pursued by the representatives of the Horthy regime.

Károlyi's heresy condemned him to long years of exile, which were cruel in many ways, but which stimulated his lively mind. One of his most interesting exploits, most interestingly described here, was his visit with a group of French journalists to Russia in 1931. This was still Lenin's rather than Stalin's Russia, and much that he saw he felt to be encouraging. For Stalinism a man so critical, so humane, so genuinely Socialist, could have little sympathy. Before the trial of Rajk heralded the completion of Stalinist oppression in

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Hungary Károlyi served the Hungarian Republic as Minister in Paris. But he admired Tito and would have liked Hungary to follow his example; when this hope was defeated he was bound to set out on his travels again.

Contemporary Chronicles

SURVEY OF INTERNATIONAL AFFAIRS, 1953.

By Peter Calvocoressi. Assisted by Coral Bell.

DOCUMENTS ON INTERNATIONAL AFFAIRS, 1953.

Selected and edited by Denise Folliot.
Oxford University Press for The Royal Institute of International Affairs. 408 and 534 pages. 48s. and 57s. 6d. respectively.

THE Chatham House annual surveys, though often very useful, are seldom easy to read. This is not necessarily the fault of the authors, but rather of the necessary lack of form of their material. Nineteen-fifty-three at least got off to a dramatic start: "Marshal Stalin died in Moscow at ten minutes to ten in the evening of March 5th" is the first sentence of this book, and the most interesting, as well as the most controversial, section of the volume is the one that goes on to analyse the effects of this event. Much of the time, however, the writers of the survey have to content themselves with sentences like "1953 was an inconclusive year in Latin America. By December 31st no peaks or abysses had been reached."

Nevertheless, Mr Calvocoressi has done extremely well within the limits imposed on him by Chatham House. He writes clearly, has an immense range of detailed knowledge and a balanced judgment. He has also tried to overcome some of the disadvantages inherent in the form of the Annual Survey; thus he has a most interesting section on France's internal problems, which deals with far more than just the events of 1953. Mr F. C. Jones has again written the section on the Far East, including a good account of the achievement of the armistice in Korea. There is also an excellent section on Latin America by Mr George Pendle; it reminds the reader how much of the world does not easily fall into the pattern of the cold war, which contemporary historians, like American diplomats, sometimes vainly try to impose on it.

The accompanying volume of documents maintains the standard of scholarship set by its predecessors, and this series is one of the most useful things that Chatham House produces. During the past year the publication of the monthly chronology of international events has had to be stopped. Perhaps it might be possible to replace this by some form of chronology in the volumes of documents.

This is the last volume of the survey for which Mr Calvocoressi will be responsible. One of his greatest merits has been that he has been unpretentious; there are no purple patches and no far-fetched parallels imposed on his plain chronicle. But each year raises again the question of whether this somewhat

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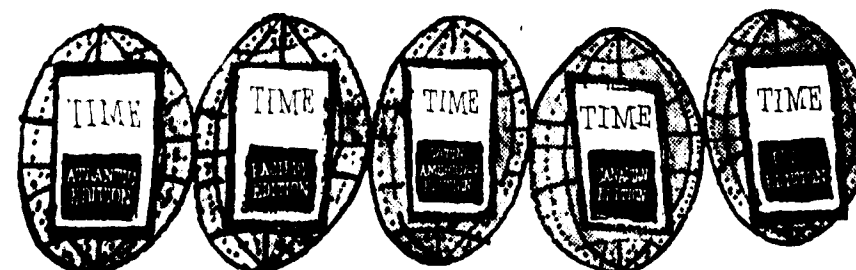
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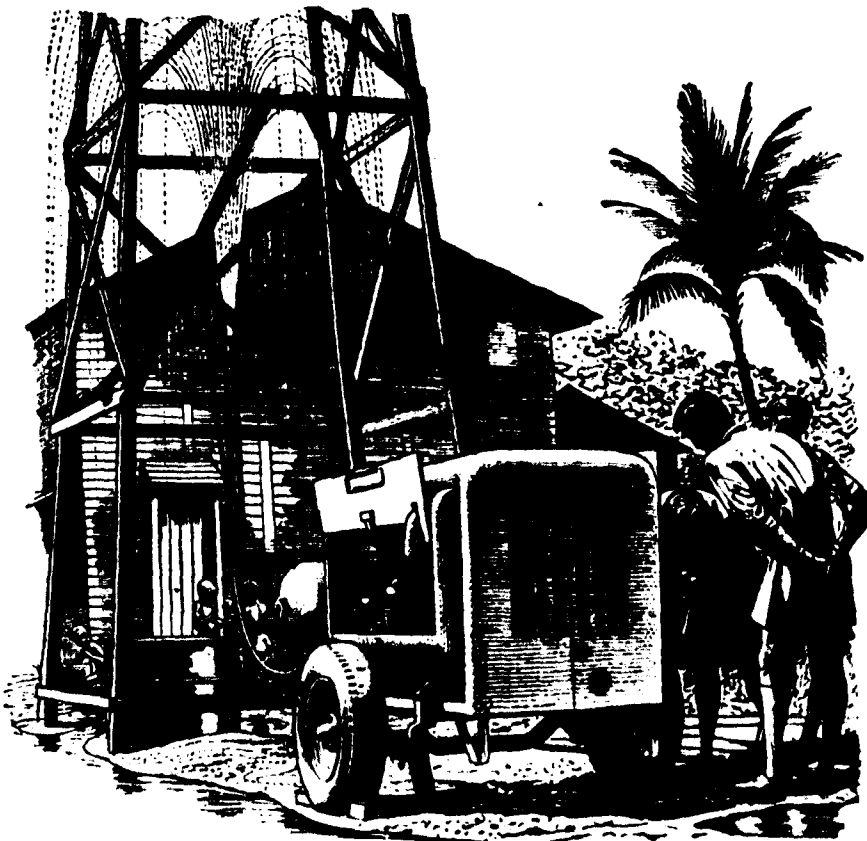


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mechanical process is the best way to deal with contemporary history, and whether the subject of volumes such as these should not be topics rather than years. It is to be hoped that the new Director of Studies at Chatham House, Professor Barraclough, a recent recruit to the field of contemporary history from that of the Middle Ages, will attempt to change the nature of these publications. One minor reform at least is overdue: the abandonment of the affectation which inflicts on us words like 'Iraq' or 'Marrakush' instead of their usual English equivalents.

The Cheap Money Era

THE MECHANISM OF CHEAP MONEY.

By Edward Nevin.
University of Wales Press. 350 pages. 25s.

MR NEVIN sets out to explain what happened, and why, in the cheap money era of the nineteen-thirties. His account of this phase in Britain's economic and financial history is necessarily technical to some degree, but it is not unduly so, and the book is perhaps less forbidding than its title.

He starts by stating a strong case against the possibility of any lasting restoration of the international gold standard in the changed world of the 1920s and 1930s. This is followed by an account of the emergence of the cheap money policy after the 1931 crisis—the rise in gilt-edged (which he attributes to a change in the liquidity preference of the public), accompanied by a falling Bank rate as an aid to foreign exchange policy, and finally the conversion of War Loan from a 5 per cent to a 3½ per cent basis, with its consequent budgetary economies. At this point a split appears in the contemporary thinking about cheap money, some seeing it as an indispensable requirement for economic recovery, while others more immediately concerned with its operation appear to have held a position of benevolent neutrality. Such a division is not surprising, in view of the loss of the gold standard criteria for monetary policy and the lack of any clear alternative policy; it showed itself in the Treasury Bill famine of 1933-35 and 1938 and in the significant rise in interest rates after 1936. Mr Nevin deals at some length with the liquidity practices of the banking system through which the bill famine made itself felt, and with the control of the gilt-edged market by the authorities through their manipulation of the public debt holdings of the Departments. He gives good reasons for agreeing with those who believe that the most important source of control was the use of the holdings of the Bank of England's issue department.

The most interesting part of this book is Mr Nevin's view of the channels through which cheap money affected the working of the British economy in this period, when some of the sectors investing in long-term fixed capital (the electricity industry and the railways, for example), which should be most sensitive to interest rate changes, had already

lost a good deal of their sensitivity owing to the strong influence of public policy. In his view the chief effects were realised through the reduction in the interest burden on the national debt and hence the incomes of its holders; this put pressure on certain institutions to pursue more adventurous and remunerative investment policies—for example, insurance companies moved further into equity and preference shares and building societies followed easier lending policies primarily through lower initial deposits and longer loan periods.

Thus the fall in interest rates made more capital available for fixed capital investment, and it is this greater availability of capital rather than its lower cost which Mr Nevin sees as the chief factor behind the rise in investment in these years, although in the important field of housing the lower interest rate did undoubtedly have a considerable direct effect also. The last chapter goes some way in linking Mr Nevin's findings for the 1930s with the current problems of monetary policy—the questions of the role credit rationing has to play, of who should operate it and of the pressures that should regulate the degree to which it operates. The book is well produced, well documented and well written.

Spooks and Spoof

THE HAUNTING OF BORLEY RECTORY.

By Eric J. Dingwall, Kathleen M. Goldney and Trevor H. Hall.
Society of Psychical Research. Duckworth, 195 pages. 16s.

WHEN the Reverend G. Eric Smith, in June, 1929, decided that the uncomfortable reputation of his rectory called for expert investigation, and, at a loss for expert contacts, appealed for information to the *Daily Mirror*, he started something much bigger than he expected. Borley Rectory rocketed into world-wide fame; Mr Harry Price made his fortune; headless men, phantom coaches, two nuns (one medieval, one eighteenth-century French) and innumerable poltergeists enlivened not merely the popular press but some surprisingly staid weeklies over a period of twenty-five years—continuing to produce an impact even after the "most Haunted House" had been burned down and finally demolished.

It was a wonderful story. It still is. The record of cumulative suggestion, embroidery, misinterpretation, practical joking and downright fraud, painstakingly analysed by the authors of this book, is as good in its own way as the ghost story itself. The Borley ghosts were, on the most favourable interpretation, poor creatures. They threw bricks and pebbles, shifted paint-pots and coal-bags, scribbled incoherent pencil messages on walls, rang bells, produced smells of lavender and of cookery, broke a certain amount of crockery, materialised from thin air such varied objects as a First Communion medal, an old serge jacket and a dead frog, and (in general only audibly, but from time to time visibly) walked. Apart from giving the

British public something to think about during the 1930s besides Hitler, and providing Mr Harry Price with a lucrative subject for books and lectures, they achieved nothing whether for good or for ill—unless, indeed, one counts the eventual burial in consecrated ground of some bones discovered, after a succession of hints by planchette and wall-scribbles, under a cellar floor. (The authors have their own ideas about when, how, and by whose agency, the bones got to where they were found.) The after-life, on the ghosts' showing, must be a footling business. But the build-up of the legend and the psychology of the witnesses is a much more interesting affair; and the authors' level-headed and patient unravelling of incident after incident, discrepancy after discrepancy, does the subject full justice.

Entertaining as their book is, it leaves a slightly nasty taste in the mouth. Not because the late Harry Price emerges unmistakably as a rogue, a falsifier and manufacturer of evidence; not because certain other persons, with motives less material, though understandable enough, faked a bigger volume of evidence than he did; but because the whole long drawn-out Borley episode at once constituted and demonstrated a debasement of popular opinion and thought. Everything that was shoddy, muzzy, slipshod, and anti-rational in the public mind responded to, and thrived on, the Borley sensation. It will take more than this antidote to counter so massive and thoroughly assimilated a dose of dope.

Shorter Notices

THE SHOCK OF RECOGNITION.

Edited by Edmund Wilson.
W. H. Allen. 1,307 pages. 45s.

This is the first time that Mr Edmund Wilson's brilliant collection of documents on American literature is made available in England, although the book was first published in a somewhat smaller version in 1943. Ranging from Lowell's essay on Poe in 1845, to letters of Sherwood Anderson in the 1930s, this anthology—which contains complete texts—presents a history of American literature written by those who created that literature or were personally associated with its development. It is a pity that Mr Wilson has not included some essays by Mr Trilling or himself rather than perpetuate Bayard Taylor's dull "Echo Club" or Amy Lowell's "Critical Fable."

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EDUCATION BOOK GUIDE: 1956 Edition.

Compiled by the National Book League.
Councils and Education Press Ltd. 116 pages. 12s. 6d.

This is the first issue of what is intended to be an annual publication listing, with full details and price and a brief description, all the books published in 1955 which are thought to be of use to schools. It is a comprehensive, not a critical guide, and the books are indexed under their subject matter. It should be an extremely useful publication and it is to be hoped that it will lead to the early burial of some of the bewildered textbooks that are still in use in the schools.

American Survey

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

Democrats in Doubt

Washington, D.C.

UNDERNEATH the excitement of the present series of primary elections, the factors which will really determine who obtains the Democratic presidential nomination are beginning to emerge. There are three of them: how much support the various candidates have among the voters generally; how much support they have within the party organisation; and the course of the controversy over racial segregation. The way these three interact on one another will govern the final decision when the Democratic National Convention meets at Chicago in August to choose the man to run against President Eisenhower.

As a result of his victories in elections already held, and his likely victories in at least some of those still ahead, the balance of popular support will lie principally on the side of Senator Estes Kefauver, of Tennessee. Officials of the national party organisation, as things stand at present, are expected to put their weight chiefly on the side of Mr Adlai Stevenson, the presidential nominee in 1952. But all candidates will feel the effect of whatever position the party takes in the end on the question of racial segregation in publicly financed schools. If the official platform endorses a vigorous enforcement of the Supreme Court's ruling against segregation, the party will in effect have decided to try to win the election in the North, and to leave the South to go its own way, even if this means a third party as it did in 1948. That decision would favour the nomination of Governor Averell Harriman, of New York, a long-standing advocate of racial integration. Expert politicians dismiss the newspaper talk of "dark horse" candidates such as Senator Stuart Symington, of Missouri, Senator Lyndon Johnson of Texas, and Governor Frank Lausche, of Ohio, with the comment that "the type appears to be a vanishing one."

Senator Kefauver has behind him his victories in the primary in New Hampshire, where Mr Stevenson was not a direct contender on the Democratic ballot, and in Minnesota, where he and Mr Stevenson met head-on. He is now picking up strength in elections in other states—Wisconsin among them—where Mr Stevenson is not entered; and Mr Stevenson is trying to collect some similar victories, in Illinois, for example. They meet again in Florida on May 29th for an important test, and round off their series in California on June 5th in what may be a make-or-break event for Mr Stevenson.

The primary elections, which by any logical standard are a most unsatisfactory reflection of voting opinion, have given Mr Stevenson a vexing problem. They are held in only 17 out of the 48 states; elsewhere the delegates are

appointed in various ways. The rules in each primary are different, but the general purpose is to enable the voters to express their preference among their party's presidential possibilities and to choose delegates to their party's nominating convention. If Mr Kefauver swept all the primaries he has entered (about a dozen) he would collect the votes of only about 275 delegates, while at the Democratic convention, 687 votes, one more than half the total voting strength, are needed for nomination. But a winner in the primaries gains the reputation of being attractive to the voters, while a loser looks like a poor contender against the mass appeal of Mr Eisenhower. The politicians attach great importance to this. So, if Mr Stevenson's support among the party leaders is not to be undermined, he has no choice but to engage Mr Kefauver in the primaries.

In Minnesota, Mr Stevenson tried to do this with one hand, showing his distaste for the contest. Apart from again arguing that farm prices should be supported by the government at high, fixed levels, he offered nothing. He made few opportunities for rubbing elbows with voters, and scamped the opportunities he had. Senator Kefauver shook hands with tens of thousands of people, and advocated even higher farm supports. He gave the illusion, at least, of being ready and willing to do something about every single problem the voters have.

But the flood of votes for Mr Kefauver in Minnesota came from a mixture of sources. Some Republican farmers were protesting against existing agricultural policies. Some Republican voters wanted to embarrass the local Democratic leaders, and some to check Mr Stevenson, who seemed to be the foremost Democratic candidate. If the primary had been restricted to Democrats, with no Republicans allowed to vote in it, Mr Stevenson might have defeated Mr Kefauver. As it was, Mr Kefauver can persuasively claim to have shown great popular appeal. Heeding the warning, Mr Stevenson, on a preliminary visit to California soon after, strolled the streets shaking hands, but his rather transparent imitation did not wholly come off.

In Wisconsin this week Senator Kefauver maintained his vote-getting record but not without blemish. He was unopposed in the Democratic primary and in the Republican. President Eisenhower had no serious opposition. The two elections therefore pitted Mr Kefauver against the President in a popularity test. The President got better than 55 per cent of the total vote cast in the two primaries, compared

with the 61 per cent of the total vote which he won in Wisconsin in the actual election contest against Mr Stevenson in 1952. It is also significant that the Republican vote showed a startling drop in three farm districts, one rich one in southwest Wisconsin and two poor ones in the northwest. But Mr Kefauver showed surprising weakness in the big city, Milwaukee, where the Republican share of the vote leaped upward. This is attributed to the President's personal popularity, and his appeal for the wives of working men as well as for the rank and file of the labour movement. To some Republicans it also meant that trade unionists refused to follow their leaders in opposing the President.

Mr Stevenson's solid strength centres round a dozen Democratic Governors, each of whom heads his party in his state. If each could guarantee his whole state delegation, Mr Stevenson could count on about 400 delegates; but it is here that wavering develops when Mr Kefauver wins primaries. The Governors then have to fight even to keep their delegations "uncommitted," to prevent them from deserting Mr Stevenson altogether. This uncertainty is found on an even larger scale among the hundreds of delegates not yet pledged to either Mr Stevenson or Mr Kefauver.

If Mr Stevenson can win both the Florida and California primaries, or perhaps only the California one, he can still look strong enough as a presidential candidate to attract the uncommitted delegations. If Mr Kefauver wins, it will be hard for the convention, with the whole country watching on its television screens, to deny him the nomination. The party leaders are nevertheless determined to do so. To them, he is guilty of putting his presidential ambitions above the party wellbeing. The Southerners flatly reject him, a Tennesseean, as a renegade who backs the Supreme Court on racial integration. From Mr Kefauver, the convention would turn first to Mr Stevenson. But if he had consistently failed in primaries, it would look further for "someone to win with." It would find Governor Harriman in battle position, bulwarked by New York's huge delegation, with concealed reserves elsewhere.

What happens at such a moment may well depend on the segregation issue. If all or most of the southern delegates have stayed put, the convention will reject Governor Harriman, who believes that the schools should be integrated speedily and with maximum encouragement from the federal government. In these circumstances, the convention would probably come back to Mr Stevenson, since he offers the best hope of unifying the party. But if the Southerners have been driven out by the segregation argument, Governor Harriman would realise the benefits of his calculated extremism.

Small Summit

WHEN he invited President Ruiz Cortines of Mexico and Mr Louis St Laurent, Prime Minister of Canada, to meet him for an informal, neighbourly conference in the last week of March, President Eisenhower was clearly bent on disproving Sir Harold Nicolson's dictum that diplomacy "should be a disagreeable business." He was also demonstrating that his special formula of good golf, warm smiles,

excellent dinners and discourses by Mr Dulles could create a general air of achievement and convince the average American that a gentleman squire with a dispensation from long hours at the White House could nevertheless play an active role in world affairs. Mr St Laurent and President Ruiz Cortines—who speaks no English and appears to have been somewhat puzzled by the whole affair—obviously enjoyed their stay at one of America's most distinguished holiday resorts. On leaving, the Prime Minister said: "It has been extremely nice." But not even the keenest-eyed among Washington reporters have discovered just what was accomplished on the little summit in West Virginia, where there was no agenda and no communique.

There are important problems in American-Canadian relations. Canada is restive in the face of the continually increasing role of American capital in its economic life. Ottawa has long been worried lest the disposal of American agricultural surpluses imperil Canada's traditional export markets. On both sides of the border short-sighted protectionism is making itself heard: Canada is planning to impose a heavy tax on the advertising revenue of American magazines appearing in Canadian editions; and, in the State of Maryland, American brewers are trying to prevent a firm under Canadian control from setting up a new brewery. American and Canadian hydro-electric and fishing interests are at odds over the best use of the waters of the Columbia and other rivers. But the only concrete point to have emerged from the meeting is a re-affirmation of the sharp disagreement between the two countries over the recognition of Communist China and its admission to the United Nations.

The conversations with Mexico appear to have touched vaguely on problems of migration and air traffic, the sale of surplus cotton and the availability of credit. The Mexican Foreign Minister brought with him a copy of Mr Eisenhower's book, "Crusade in Europe," and obtained the author's autograph. Apparently no commitments were made, either in the two-sided conversations or in the general talks on world affairs. But the whole conference may, in its way, have been a rehearsal for a more important exercise in diplomacy without tails—Mr Nehru's visit in July.

Communists in the Red

THE strength of the Communist party of America has declined from 60,000 members in 1949 to some 20,000 in 1956, and the *Daily Worker* sells only 9,000 copies today compared with 14,000 in 1951. It has also been having a most embarrassing time trying to explain the latest attacks on the memory of Stalin. Last week, however, both the party and its newspaper received spectacular assistance from a somewhat unexpected quarter—the Internal Revenue Service. Agents occupied party and editorial premises in New York, Los Angeles, San Francisco, Chicago and Philadelphia. The Communists were accused of failing to pay income taxes and of refusing to co-operate with the Treasury by allowing access to their financial records. The immediate results of this seizure were a dramatic increase in the sales of the *Daily Worker*—whose editorial staff moved in with a sympathetic Yiddish daily—good publicity for the party, protests from some of

America's foremost newspapers and defenders of civil liberties at this threat to the freedom of the press, and disconcerted admissions by the Internal Revenue Service that its senior officials in Washington had been as surprised by the whole affair as the Communists themselves.

The motives of Mr Donald Moysey, the recently appointed Director of Internal Revenue for the Lower Manhattan District, and the legal basis of his action are rather obscure. Claims and counter-claims are now loud and it looks as if the government will be in for long and costly litigation. The *Daily Worker* contends that it has continually operated in the red and is, therefore, not liable to income tax, and the Communist party can argue that other political parties do not pay tax on the ground that they are non-profit organisations financed by individual contributions. The government, on the other hand, can claim that it cannot accept these arguments without seeing the books. These seem to be the real target of Mr Moysey's agents. They have impounded lists of subscribers to the *Daily Worker* and records of donations to the party, and government microfilm units work swiftly.

American fellow-travellers, and many liberals as well, may remember last week as a black one. For in addition to Mr Moysey's action—which proved a boon to Soviet propaganda—the government decided to bring numerous minor Communists to trial. But what will dismay them most is the Supreme Court's decision upholding the validity of the Immunity Act passed by Congress in 1954. This provides that in matters affecting national security a witness can be compelled to answer all questions if he is guaranteed immunity from any criminal prosecution arising out of his testimony. In effect, this means that a witness can no longer invoke the famous Fifth Amendment, which protects a man against self-incrimination, if the court decides that his testimony about himself or his associates is worth more than the chance of convicting him. In their strong dissent, Justices Douglas and Black argued that a witness could be made immune from criminal prosecution but not from social infamy, loss of employment and denial of civil rights: the "right of silence," they said, must be beyond the reach of government. But in their narrow interpretation of the law, the majority of the Supreme Court have probably expressed public sentiment as well as providing the Department of Justice with a powerful weapon against some of the 200,000 Americans who, according to the head of the Federal Bureau of Investigation, continue to aid "the Communist conspiracy."

Battle Secrets

IN the Senate the immediate threat to this year's foreign aid programme comes from a constitutional controversy, arising indirectly out of the Administration's willingness to let its European allies increase their trade with the Soviet Union and thus reduce their need for foreign aid. When in February it became clear, after Sir Anthony Eden's visit to Washington, that the embargo on trade with Communist China was likely to be relaxed, the Senate's Permanent Investigations Subcommittee at once attempted to frustrate this proposal. It opened an inquiry into the earlier easing, in 1954, of restrictions on trade with Russia, designed to

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show that this had resulted in strategic supplies being delivered to the Soviet Union by countries receiving American aid; this is illegal under the so-called Battle Act. The allegations concentrated on British shipments of copper wire and metal-working machinery which, it was argued, were potentially of military value.

Soon, however, the committee ran head on into the Administration's refusal to give details, in public session, of the 1954 negotiations and of the changes made in the controls. Then came weeks of hearings, during which leading officials firmly repeated this refusal and leading Senators, including several who usually take a liberal attitude towards other countries, refused in their turn to support the foreign aid programme unless they were given the details they wanted. Just before Easter, however, the committee withdrew and agreed to receive the information in secret session, as other committees had previously done. But to this one member, Senator McCarthy, objected, and for this reason the committee decided that it could not guarantee that the documents would be kept secret. The deadlock therefore continued.

At the root of the argument lies the constitutional separation of powers, the right of the executive to deny legislators access to its day-to-day activities. But there are practical reasons for the denial in this particular case: the details of the 1954 negotiations show that there were disagreements among government officials on the extent of the relaxations; publication of the papers would give the Russians information about allied deficiencies and about allied knowledge of Soviet difficulties; finally, these trade controls depend upon the voluntary co-operation of other countries, which insist on secrecy. To all this the Senators reply that if, as they believe, "astounding" concessions were made by the United States when the lists were revised in 1954, then the American public has a right to know. But so far the American public has taken little interest in the controversy.

Buses Uncaught

Montgomery, Alabama

IN Montgomery, capital of Alabama and first capital of the Confederacy, with an excellent record for harmonious race relations, the Negroes are still boycotting the buses. Nothing has been settled by the conviction of their spokesman, the Reverend Martin Luther King, under an old and forgotten law originally directed against trade unions, for conspiring "without just cause or legal excuse" to deprive the bus company of its business. If anything the case has stiffened the Negroes' solidarity. Before December 5th they provided the buses with three quarters of their passengers. Since then they have gone to and from work on their feet or by using an elaborate system of car pools. The trial has not deprived them of leadership, since Dr King, who was fined \$500 and a similar amount in costs, has appealed and the cases of the 89 other Negroes indicted with him have been postponed until this appeal is settled; among them are 24 other clergymen and many of the most respected people in the Negro community. At the normal pace of American justice it could be a matter of years before the final decision and few doubt that the verdict will be overturned eventually by the United States Supreme Court, if not before.

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It was coincidence which brought the case of Miss Autherine Lucy, the Negro student admitted and expelled from the University of Alabama, to a head at the same time as the bus boycott was taken to court, under the pressure of the frustrated whites in Montgomery. The two incidents, which, much to its embarrassment and resentment, have made Alabama the centre of national curiosity, had only one feature in common. The Negroes were pushing demands, backed up by their own legal talent, instead of using what is sometimes called "the old psychology," that is, wheedling boons from the whites. But the bus boycott was not a test case planned, like that of Miss Lucy, to break down the principle of segregation; it was an attempt to get satisfaction from the bus company "within the framework of segregation" for specific, long-resented grievances.

During Dr King's trial there were many moments of pathos as his battery of eight Negro lawyers sought to prove "just cause" for spurning the buses. One Negro matron after another, sad, pert, pretty and wrinkled, told her story of bullying and insult at the hands of the white bus drivers. As segregation is interpreted in Montgomery, the ten seats in the front of the bus are reserved for whites, the ten in the back for Negroes. Riding into town at rush hours from the predominantly coloured district Negroes frequently have to stand, when the centre and rear of the bus are full, yet the front ten seats are left empty. More mortifying still, the driver has arbitrary power over the unreserved centre section; he may at his whim let Negroes sit there but, if whites enter and their reserved seats are filled, he may order Negroes to move to the rear.

The boycott has astonished everybody by its success, Negroes as well as whites. It is true that Negro organisation in Montgomery did not spring out of nothing. For years there had been a network of betterment societies—the Progressive Democratic Association, the Civic Federation, the Co-ordinating Council, the Women's Political League—and that there was a tradition of militancy in some of the Negro churches. This was the case with the Dexter Avenue Baptistry to whose cure Dr King came eighteen months ago, a rather exclusive Negro church, pushing up its distinctive steeple defiantly at the very foot of the Capitol building where Jefferson Davis took the oath as the first and only Confederate President. The main innovation of the young northern-educated intellectual has been his passionate emphasis on non-violence and the creative power of unrequited love. Nevertheless, despite these stirrings, which went unreported outside the closed Negro world, there was little reason for white people to doubt what their cooks and waiters told them, that race relations were serene and that coloured folk were happy as they were.

It is doubtful if this would have changed had it not been for the coming to the boil of the resentment against the northern-owned bus company which, to do justice to other Alabamian cities, seems to have been singularly clumsy in handling its problem of segregation. The arrest of a highly respected Negro woman for refusing to move out of her seat struck an immediate chord throughout the whole community. Mimeographed sheets calling for a one-day boycott were sent out by one of the Negro organisations; the report of this printed in the *Advertiser* brought a mass response that was ninety-five per cent effective. It was the success of this token protest on December 5th which gave the move-

ment its impetus. That night the first of the extraordinary mass church meetings was held; it was decided to give up patronising the buses indefinitely until three demands were met: more courtesy, the seating of passengers on a first come, first served basis, with whites entering at the front and Negroes at the back, and the hiring of Negro drivers for the predominantly coloured routes.

A fresh organisation was formed, the Montgomery Improvement Association, to cut across all previous factions, with the leadership entrusted to the clergy, because they would provide the best educated spokesmen and because they were the most immune from economic reprisals. At first there was some attempt at mediation and negotiations took place. The seating arrangements of the type the Negroes want already operate successfully in Atlanta, Georgia, and even in Mobile, Alabama, which comes under the same state segregation laws as Montgomery. But now communications have ceased between the leaders of the two races. Although there is uneasiness in Montgomery, there is no hint of racial violence. Twice a week, amid spirituals and "pep talks," the coloured masses packing a Negro church are whipped up into intensely emotional dedication to passive resistance, love and calm. "Are you tired of walking?" the preacher will shout, and when the expected "No" floods back, then comes the sought-for reassurance: "We are not walking alone, because Jesus is walking with us." But the leaders are practical men; their people do not have to walk. The car pick-up system, working through Negro churches, shops, parking lots and garages, functions with American efficiency throughout the day.

The cooks and waiters, who shout back "Yes, Lord" as something is released within them by the preacher's words, still tell their white employers that they are against the boycott. Many whites still believe them, confirming their conviction that sinister outside forces must be at work. The best hope is that with the Negroes continuing month after month to display a calm discipline no one had expected of them, people will come to see that when the dialogue between the races is resumed, it cannot be in the language of paternalism. Unhappily, because local politicians are exploiting the issue, things are likely to get worse in Alabama before they get better.

Boom in God's Children

FROM A SPECIAL CORRESPONDENT

THE American tendency to think in economic terms has produced the phrase "religious boom," suggesting that the current religious revival is a factor in the economy of abundance and that consumers' souls are burgeoning at the same rate as their incomes. But the designation does more justice to the vigour of American religion than to its extraordinary diversity and adaptability. Given colloquial expression in juke box hymns and praying dolls, and in a new comic strip, religious themes also monopolise the lists of best-selling books, and are the subject of serious analysis by psychiatrists and theologians. The new spirit permeates social, economic and political life, and adapts itself to the requirements of each. The consequent dilution of the

messages of the Bible and the pulpit brings anguished charges from many of the clergy that the revival has spawned an unparalleled increase in secularism and "rank religiosity." American churches have often been accused of over-eagerness, but it should be remembered that, because of the constitutional principle of separation of church and state, they must depend for both members and financial support on energetic evangelism. This effort results in their acquiring the hues of the American way of life: how much they also shape this way of life is a matter of widespread debate.

The religion of the average American has usually been highly personal and as solidly planted as the grass roots. Neither the statistics nor the din of "tinkling cymbals and sounding brass" of the current revival can be taken as an adequate measure of this basic layer, which continues to show through with remarkable persistence. Some clues to the breadth and depth of the "boom," however, can be found in the annual statistics of the National Council of Churches, the principal Protestant body in America, and in the public opinion polls. Church membership has grown from a mere 20 per cent of the population a hundred years ago to 60.3 per cent in 1954, with an impressive surge after 1940, since when the rate of increase has almost tripled. A considerably larger number of people than are claimed on the church rolls consider themselves affiliated. Still another unmeasurable group holds profound religious beliefs, but is unable to subscribe to the organised doctrine of any particular denomination. If the polls can be trusted, 96 per cent of Americans believe in a God, 90 per cent pray occasionally, and a growing 76 per cent believe in an after-life, although less than 5 per cent admit to having any fear of hell. They are buying a record number of copies of the Bible, which four-fifths of them believe to be divine revelation, but only 35 per cent can name the four Gospels. Their respect for religious leaders has more than doubled since 1942, while the prestige of both political and business leaders has plummeted.

The three major American churches have historically played a part in providing the Americanised grandson of the immigrant with a social identity and heritage, and in the process have been transformed into thoroughly American institutions. Today, the rootless migrant to the suburbs secures an identity through joining a church and simultaneously acquires guarantees of culture, patriotism, and social acceptance. The Protestant church (to which 35.3 per cent of the population belongs) most nearly reflects the class and political structure of American society and the Anglo-Saxon cultural ideal. The Roman Catholic church (16.1 per cent) has a preponderance of working-class members, and the Jewish congregation (approximately 3.5 per cent) of professional and business people. While there are growing rivalries between the three religious communities, together they have the net effect of representing and reinforcing the "American way of life," which has been called the "operative faith of the American people."

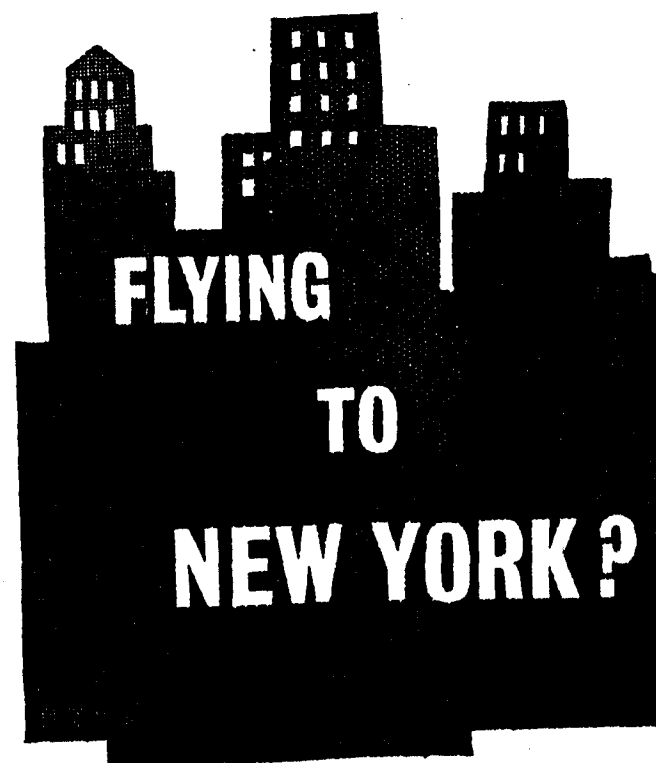
This "American religion" has recently invaded a new missionary field: American industry is in the process of "getting religion." Evidence of this is the growing articulateness of businessmen on "spiritual values"—"skyhooks" to give meaning to work and incentives to production—and their practical interest in churches as

institutions. Acting on the thesis that "Standard Oil produces oil and the church produces a way of life . . . and thought, but they both have production problems," the American Institute of Management undertook a "management audit" of the Roman Catholic Church and, in January, reported that its efficiency rating was only two points below the 90 per cent of Standard Oil of New Jersey. Thirty-two conclusions were drawn from this for American business managements to use in promoting both production and morale. An increasing number of companies are employing "industrial chaplains," and young executives are learning to pray before business conferences. In mid-April the National Conference Study on Church and Economic Life will bring together religious and business leaders to examine the problem of "the Christian conscience and the economy of abundance," to try to find out why people who have so much are getting so little real satisfaction from it.

A manifestation of the effect of religion on politics is to be found in the new prayer room recently installed under the dome of Congress. Now every political speech insists on virtue and spiritual values. The religious principle in international relations is recognised by the constant use of the phrase "atheistic Communism," which rouses sympathy in the mid-western Bible belt where those with isolationist tendencies equate Soviet Communism with the Devil. The Reverend Billy Graham has told Congressmen that Christianity is the necessary "intellectual answer to Communism," and the President has urged that from every pulpit should be spread the doctrine that the present struggle is one of "atheism against some kind of religion."

While the average American is taking his religion where he finds it, many people worry that his soul is in jeopardy from the blandishments of the "hucksters" of religion. Dr Graham directs his twentieth-century evangelism quite frankly to the large proportion of the population who have the literacy of a twelve-year-old in religious matters and is sending streams of "converts" back to their own churches. More insidious is the so-called "cult of reassurance," combining religion with the magic touch of psychiatry, and now epitomised by Dr Norman Vincent Peale's "Power of Positive Thinking" (176 weeks on the best-seller list). Dr Peale, in the style of a "lonely hearts" columnist, promises happiness and success in everything from traffic jams to the hotel business by simple rules for prayer and the elimination of negative thoughts—"say 'I believe' three times every morning on arising." He has a powerful attraction for the middle class, many of whom are suffering the pangs of upward adjustment economically and socially. Condemned by the intellectuals for selling a patent medicine type of Christianity, without the essential doctrines of original sin, repentance and salvation through grace, he answers his critics indirectly with the suggestion that "cynics" should "live abundantly." These same "cynics," however, Dr Reinhold Niebuhr, Dr Paul Tillich and an increasing number of enthusiastic followers in universities, particularly in the recently expanded School of Divinity at Harvard, are giving substance to the revival by examining the role of Christian theology in modern life.

An American religion which is to appeal to 160 million people is bound to be vague and often superficial, but it does not follow that it cannot be sincere and even fervent. President Eisenhower, who personifies so much of present-day America, seems also to typify its religion; the simplicity of his faith, though deplored by the sophisticated, is apparently an inspiration rather than an opiate to the people.



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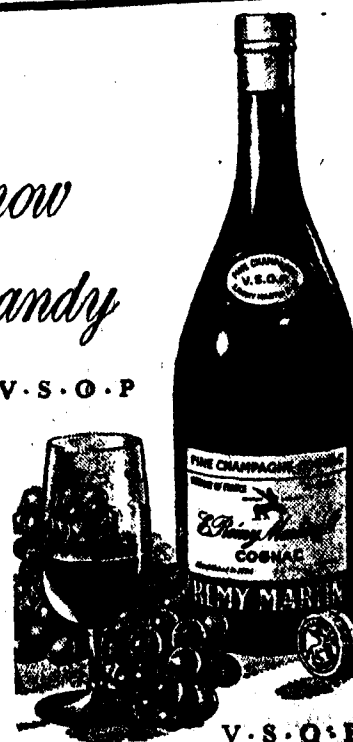
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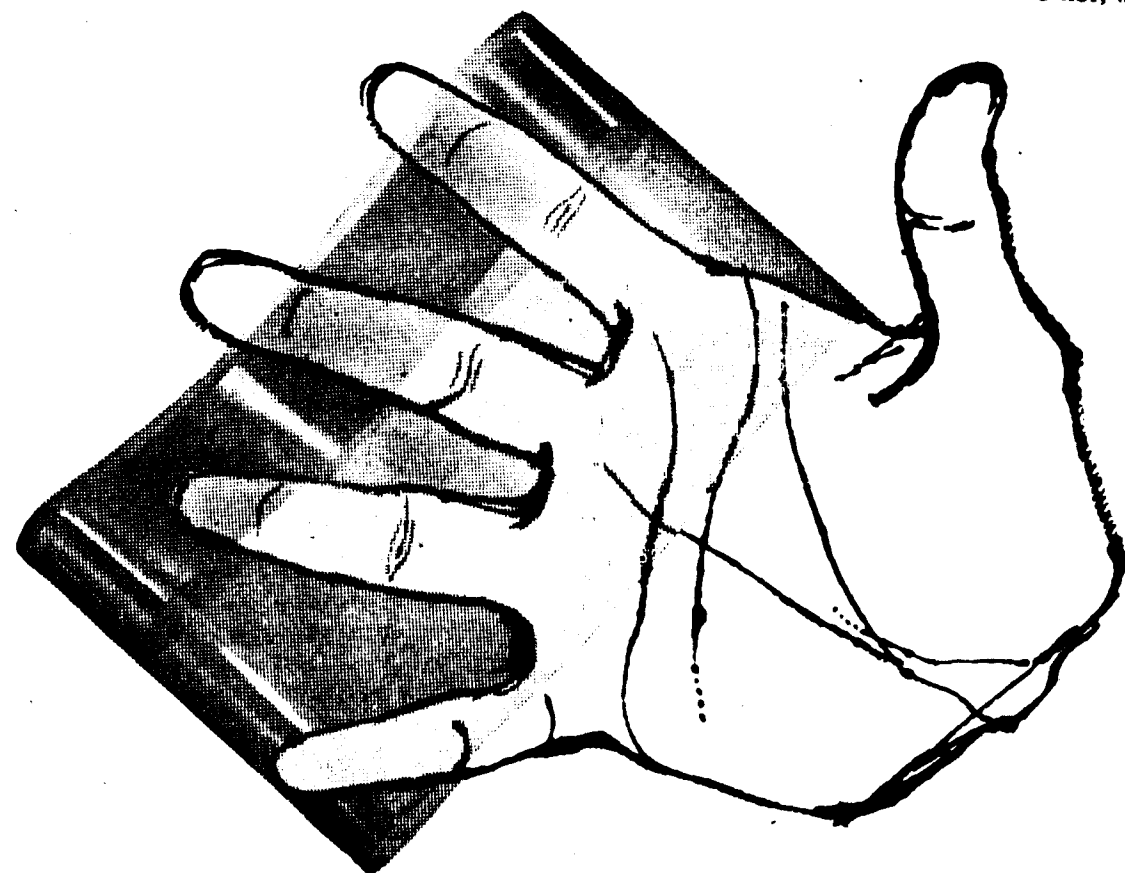
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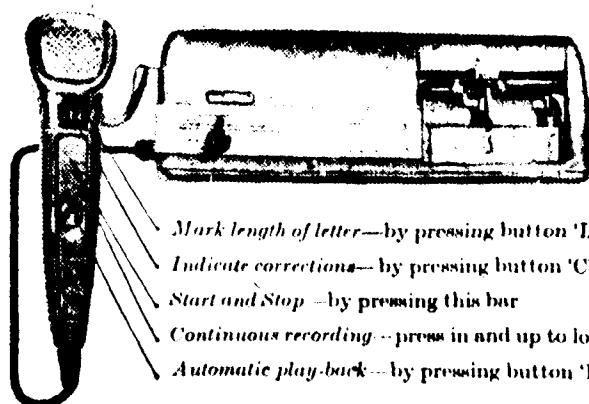
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The Little Sisters of Saint-Paul

BY A MEMBER OF THE STAFF LATELY AT FRIBOURG

BEHIND the last five issues of *The Economist*, which were produced by the Imprimerie Saint-Paul at Fribourg in Switzerland, there lies an experience so rich and rewarding to those who took part that they are in duty bound to try to share it with the paper's readers. Some parts of this story have appeared in the British press and they may have carried the suggestion that we were being printed in an unfamiliar kind of closed shop staffed by nuns and monks. This is only half true (for there were no monks) and it gives a totally wrong impression. "We are not" said *la Mère Générale* "a closed order; we are just a happy band of working sisters." How happy, and how devoted to their work, we were to discover from the moment that *les Petites Sœurs de Saint-Paul* started to compose the first of the five issues, unfamiliar in language and secular in content. To have been allowed to work as guests in collaboration with the Little Sisters was a rare and moving privilege.

The printing works of Saint-Paul was founded 83 years ago by Canon Schorderet, and the modern fulfilment of his act of faith is a block of buildings housing the religious congregation, a composing room splendid in its dimensions and equipment, modern presses for book printing producing the best half-tone and colour work, and the rotary press on which *The Economist* was printed. The Little Sisters, of whom there are about one hundred and thirty, work in the composing room and in the administrative offices; they also serve the bookshop and library which are attached to the works. One of their main concerns is the daily publication of *La Liberté* but there is other newspaper work to do, and much periodical and book printing. Saint-Paul would challenge comparison for efficiency and working conditions with any plant of similar size in the world. It is a revelation of what a good printing works ought to be.

One stresses this physical environment, designed for practical needs and urgent tasks, because it is here that the Little Sisters of Saint-Paul find their fulfilment, as crafts-women dedicated to the glory of God. Their only habit is a simple black gown with a white collar—the dress of working women, but one blessed by the Church as they take up their profession. They work in silence, disturbed only by the chattering of the linotype and monotype machines, and by the simple graces that they sing after their spell of work. But they are in no sense cloistered or withdrawn from the heartening ways of life. Among the abiding memories of the Little Sisters, one must surely include their charm and wit, as well as their dedication to their work.

From the foundations laid down in 1873, the work of Saint-Paul has spread into France, where sister printing houses have been established, and into the Cameroons and Dakar, where printing is combined with missionary work. Girls enter the Order as postulants and proceed to their novitiate, with a number of opportunities to change their mind if the life proves to be one for which they are not fitted. One wondered, with this practical and charitable example before one, why secular training for industry in this country (which ought to be imbued with some sense of vocation) is regarded so often with an air of discovery. There is nothing new about the blending of craft with vocation at Saint-Paul.

But typesetting, for all the skill and tradition that can be claimed for it, is still only part of the total process of printing. And although the Little Sisters devote themselves to this responsibility, three-fifths of the total staff of the Saint-Paul works are of the laity. These include the men in the machine rooms who belong as a rule (though they are under no compulsion) to the Christian trade union, and whose wages are well above the minimum laid down in the agreement, corresponding in fact to the average for Switzerland.

These men (and the Little Sisters themselves) were not prepared to help *The Economist* until they were satisfied on moral grounds that their co-operation with us, as a third party in the recent London dispute, would not prejudice the interests of the London compositors. They would not have lent themselves to any operation that savoured of "strike-breaking" and one of the most serious tasks undertaken by the paper's editorial representatives in Fribourg was to give as honest an account as they could of the complicated pros and cons of the London dispute and leave the decision of conscience to their hosts.

If any regret lingers over an operation which went on happily for five weeks (despite the threat of electricity cuts and despite the loss, fortunately only for a few hours, of printing material carried on over the Alps to Italy) it is that these good people should have been treated with so much less charity by some of their own countrymen than they accorded to us. One could understand the sharp cleavage between the points of view of the secular and Christian unions, if only because it proceeded from a long history of religious difference; but it was the attitude of the socialist union, with its uncritical appeal to "international solidarity," that was based on dogma, while the members of what is often accepted as a dogmatic confession

reached their own conclusion about the propriety of producing *The Economist* after a careful, fair hearing of its predicament. And one should add a private note of distaste for certain unhelpful comments that appeared in some German-language papers, which so far forgot their own political standpoint, and were so little moved by the duty laid on any self-respecting editor to produce his paper if he can, that they were able to bring themselves to refer to the "black" operation conducted by *The Economist* in Fribourg.

The abiding memory of those who had the privilege of working at Fribourg is of warm co-operation, great technical skill, charming hospitality, and graceful manners. The Sisters made our staff humbly grateful by their simple demonstration of patience and service. They taught us, without intending to do so, many lessons about our work that we had failed to discover for ourselves. *The Economist* owes much, after Fribourg, to countless people—to British European Airways and its staff, to Albert with his furniture van who took the copies by road to Geneva, and to many others. But it owes most to *les Petites Sœurs*; and that is a debt they themselves would wish us to requite by praying for a blessing on all their labours.

German Perplexities Over Conscription

WITH eyes on next year's federal elections, all the German political parties are anxious to cushion the shock of compulsory military service. The shadow of their dilemma loomed large when the Bonn Cabinet's conscription bill, calling for eighteen months' service, was debated in the Bundesrat recently. The Upper House, consisting of representatives of the various *Länder* governments, decided that the period should be no more than one year. With this amendment the bill went back to the Cabinet, which has now to pass it on, with the government's comments, to the Bundestag.

Arguments for and against the conscription bill cover more than the length of service. They revolve round Germany's peculiar position as a country divided against itself, the rival technical merits of a professional army and a conscript force, and the damage which industry would suffer from the withdrawal of young workers. The Social Democratic party executive has decided to oppose conscription, in spite of the fact that the party traditionally distrusts professional armies as dangerous to civil government.

The excuse given for this reversal of Socialist policy is that parliamentary control of the new Federal army has been safeguarded. Whether or not the SPD really feels confident that the safeguard will be fully efficacious, it does realise that conscription is unpopular. If East German Communist broadcasts are to be believed, there was strong criticism from the ranks of the SPD against the executive's decision to vote with the government recently in favour of the constitutional changes which paved the way for the introduction of the conscription bill. This may well be so; it is a fact that SPD leaders have constantly to appease members who tend to revert to the left-wing pacifism of Rosa Luxemburg. These elements offer a nucleus for a united front against Nato.

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Thoughts of Herr Stoph's Communist-led army on the far side of the Elbe-Werra-Fulda line have underlain much of the opposition's speeches in both Houses in Bonn. The young conscripts, it was urged, would be exposed to an intolerable conflict of conscience by the possibility that they might have to fight their fellow-countrymen. Some impression, it seems, has been made in western Germany by warnings from the Soviet zone that all steps taken in the Federal Republic would be matched in the east, although Bonn government speakers have pointed out that the labour shortage in Soviet Germany is too acute to permit general conscription there, whatever happens in the Federal Republic. At the same time, the apparent improvement in the prospect of disarmament has been seized upon by the Social Democrats as an argument against setting up a large west German force now.

There are some general and some purely German aspects of the military arguments which have been put forward in the controversy over widespread, long-term service. German commentators, like their counterparts elsewhere, reproduce endless debates about the need for mass armies in the atomic age. Herr Weinstein, a former staff officer who has made a name for himself as military correspondent of the *Frankfurter Allgemeine Zeitung*, has long favoured setting up small, mobile, highly trained units. But for various reasons, including the lack of volunteers, Germany's army cannot be wholly professional. In Herr Weinstein's view, which is also that of Free Democratic party experts, it must be backed by reservists who would have to do refresher courses every year after serving for a short term as conscripts. At the same time, he points to the need for a militia to cope with civil air defence and other aspects of the internal situation. Such a force has recently been officially proposed by the German Ministry of Defence. Presumably it would be outside the Nato command. It has been left to spokesmen of the government side to recall that Federal Germany has a treaty obligation to Nato to set up twelve divisions, and that strategy is a matter to be decided at combined headquarters, not in Bonn alone.

Singapore's Sack Race

FROM A CORRESPONDENT IN SINGAPORE

IN the process of gracefully yielding self-government to colonial territories, it is a serious blunder to introduce parliamentary institutions without first making sure that the civil service understands the process. This is the mistake that has been made in Malaya and more especially in Singapore. The theory is, no doubt, that British permanent officials will hold the hands of inexperienced ministers, initiating them gently into the mysteries of parliamentary procedure. The fact is, however, that many of the senior officials of the Malayan Service know little about such procedure, although they are experienced and capable men.

The result is that popularly elected ministers now want to do what should have been done before: they want to replace their permanent departmental heads. The more sensible of them realise, however, that they still need technical and professional help. The tragedy is that some are less balanced than others and fail to distinguish between the now useless administrator and the still necessary electrician. In his calmer moments the politician should be made to realise

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that a recently arrived technician is no threat to his political freedom. An English or American expert will show no resentment at receiving instructions from an elected minister or indeed from an elected town council. It is the sort of control to which he has long been sadly resigned. He therefore gives no more offence than he feels. The man actively disliked is specifically the man who knows the country, the language and the people. For he cannot help saying (in everything but words) "This place was governed efficiently in the old days. Just look at it now!" This causes resentment not because the British official is wrong but precisely because he is right. But what he fails to grasp is that the country, under his rule, could never have been fit for parliamentary government at all.

At Singapore the exasperation aroused by senior officials has found expression in the work of a Commission on Malayanisation. Appointed in August, 1955, the Commission sat in public to decide how soon each "expatriate" official could be replaced by a local man. After fifty-eight acrimonious meetings the suppressed emotions of the members have been made to assume a more or less coherent form.* Their report shows that in a civil service with over 20,000 members there are 607 expatriate officers who hold many of the responsible and highly-paid posts. Thus, of 77 posts in the Administrative Service, 45 are held by expatriates; and of the 153 "superscale" posts in all the departments, no less than 138 are filled by expatriates. Members of the Commission, or a majority of them, have sought to show how practically all expatriates might and should be replaced in from one to four years.

Colour Bar in Reverse

In many departments the need to "malayanise" must be generally admitted. To place local men in key administrative, legal and financial posts would seem a logical sequel (or, far better, the preliminary) to self-government. It is strange, therefore, that the majority report should allow up to two years for a hand-over which even the most impartial bystander would have expected to take place immediately. But if hesitant in their approach to the political branches, the local politicians have more than made up for this by wildly assaulting the technical departments which could never have been a threat to anyone. More than that, their emotions have so far triumphed over their reason as to advocate "malayanising" departments which are already seriously understaffed.

Two members of the Commission have had the moral courage to point out these and other anomalies in a minority report which deserves careful study. They show that to fill existing vacancies (352), replace expatriates (596) and fill new vacancies already in the estimates (600) will mean recruiting 1,548 civil servants in the next four or five years. Nor does this allow for the inevitable expansion to be expected in a colony where 151 Division I posts alone have been created since 1950. Charged with the task of making, say, 2,000 appointments in five years, a Public Services Commission would end by interviewing the scarcely literate.

The absurdity and danger of these proposals is most apparent in the education and health services. Of 1,038 government teaching posts, only 71 are filled by expatriates and 82 posts are actually vacant. The known rate of expansion will require 484 graduates in government or

* Colony of Singapore. Interim Report of the Malayanisation Commission. February, 1955. M53,00.

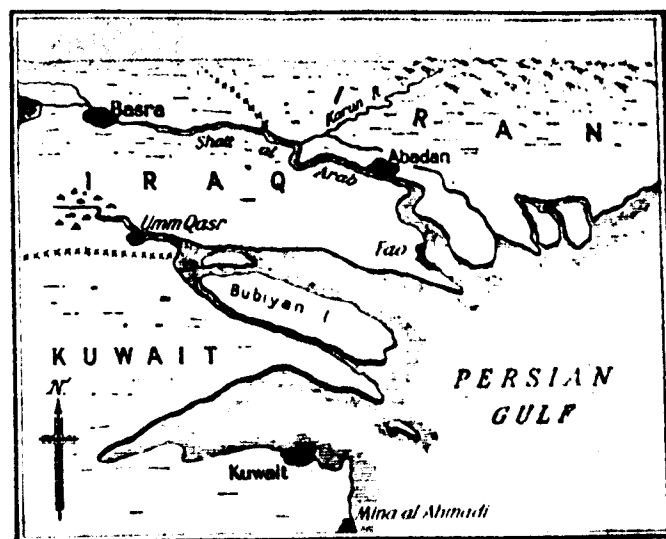
aided schools by 1959. Only 264 applicants are in sight, which implies a shortage by then of 220 graduates as compared with a present shortage of 102. As the teaching of English is a main task in the schools, the removal of English graduates would seem singularly unhelpful. Nor are the recommendations regarding the health service any less mischievous. The hurry to evict fifteen of the top-level medical officers is the less understandable in view of the fact that 12 of the 41 superscale posts are actually unfilled. To throw out 33 physicians and surgeons (plus matrons, sisters and nurses) from a desperately under-staffed service would hardly seem to be in the interests of the sick.

If this majority report is a spiteful and mean-spirited document, penalising school children and hospital patients in order to apply a colour bar in reverse, it must be recognised that the atmosphere in which it was compiled was itself the result of colonial policies and attitudes. Granted that excellent work has been done by the senior British officials, the fact remains that it was under their rule that so many leading Singaporeans grew to a frustrated immaturity.

Second Resource for Kuwait?

THE Ruler of Kuwait is notoriously nervous of pressure from his big neighbours—Saudi Arabia and Iraq. Both have before now cast longing eyes on his property. It is therefore something of an event that he has given permission to the Iraq Petroleum Company to survey a route for an oil pipe-line across Kuwait territory to a point south of Kuwait town. The survey has begun, though neither party has yet taken a final decision.

The reason for the company's application is that the



shallows at the head of the Persian Gulf are not made for modern tankers. The Iraqi port of Fao, which handles the whole export of Iraq's southern oilfields near Basra (7.2 million tons in 1955) cannot take vessels of more than 15,000 tons, whereas the tanker of the next decade is in the 30,000 to 50,000 ton class. A terminal in deeper water is a necessity; whether it will be a marine one or a shore one remains to be seen.

From Kuwait's point of view, the political risk of opening

a door to Iraq is offset by a political advantage, and the economic prospect is altogether advantageous. Kuwaitis are nervous of Iraqi designs on their territory; yet were they to lease land to Iraq for the business end of an oil pipe-line, they might then be in a better position to bargain about the business end of a water pipe-line from Iraq. Their reasons for hesitating over this important project, and for contemplating, instead, payment through the nose for distilled sea-water for their waterless town, were described in *The Economist* of January 28, 1956.

From an economic and social standpoint oil terminals are nothing new to them. They already sport two—one from the Kuwait oil company's huge field and the other coming from the Neutral Zone with Saudi Arabia. But a pipeline coming from abroad might reopen the old pre-1914 notion of Kuwait as an entrepôt for the trade of Mesopotamia. The news that its territory is to become a refining centre through conversion of its present small refinery into the fourth largest in the Middle East adds to this possibility.

At present, the Kuwaitis are rich and busy on the proceeds of a single resource, their oil, and there is contentment because money and assets are filtering down even to the poorest, who are getting compensation beyond their dreams for mud huts destroyed to make way for a boulevard, or free cellophane-wrapped sandwiches for their children at mid-day. No one supposes this one resource is going to vanish, but for social as well as economic reasons, it would be well to develop another, if it is only market gardening thanks to the water pipe-line. But the Kuwaitis were born resourceful; they are good sailors and keen merchants. The pavement money changer just outside the bazaar can give you rupees for your tattered roll of Syrian pounds after a split second of calculation in his head. A lazy life on unearned income has great attractions, but is out of keeping with the Kuwaitis' tradition for enterprise. Any project that offers a chance of turning their territory into an entrepôt trading centre is worth their while.

Belgrade Stays at Arm's Length

FROM A CORRESPONDENT IN BELGRADE

THE wheel has certainly come full circle for Marshal Tito and his colleagues who broke with Stalin nearly eight years ago. They believe that the events of the twentieth Soviet party congress indicate a genuine change in Soviet policies; and they particularly welcome the debunking of Stalin because, as one commentator euphemistically put it, this "removes obstacles that have kept the fighters for socialism apart." But a note of caution can still be heard. The Yugoslav Communists do not intend to be caught out twice; the twentieth congress may facilitate a further rapprochement with the Russians but there must be cast-iron guarantees on the equal status of both parties.

President Tito's warm letter to the Soviet congress, addressing the Russians as comrades, was the most spectacular development in Soviet-Yugoslav relations since the Russian visit to Belgrade last spring. It was, it would seem, a *quid pro quo* for Mr Khrushchev's public recognition of Yugoslavia as a "socialist" country, and of the Yugoslav Communists as true followers of Marx and Lenin. Tito has taken nearly a year to return the compliment. Now he, in his turn, has recognised Russia as a "great socialist country"

as distinct from the "state capitalist" type which the Yugoslavs labelled it after their expulsion from the Cominform. It is said that when last spring the Soviet leaders, irked at Marshal Tito's refusal to call them "comrades," asked the reason why, the Marshal said non-committally, "We shall see about that." Now he has apparently made up his mind, and is accepting the Russians as they accepted him.

The Yugoslavs are convinced that the real purpose of Marshal Tito's letter was to encourage the new trends inside Russia. They argue that the new leaders are trying to rid themselves of Stalinism, that they need encouragement from the outside world, and that every western rebuff to a Russian gesture lends support *a priori*, to the Stalinist diehards. On the other hand, when the letter referred specifically to Yugoslav-Soviet relations it was worded very carefully; Tito elected to talk of "gradual and continuous" improvement as the only way of achieving mutual confidence. In other words, such confidence has yet to be established.

As if to correct any one-sided development of political contacts, the Yugoslav Communists have lately again quickened their efforts to arouse the interest of western Socialists. A number of prominent Socialist leaders from western Europe will visit Yugoslavia in the next few months, and Marshal Tito will himself visit the French Prime Minister, M. Mollet. Thus, for the time being at any rate, party contacts with the west, are to be more pronounced apparently to neutralise any over-enthusiastic impressions that the Moscow congress might make on the Yugoslav Communist rank and file.

But it is in the economic more than in the ideological field that the situation may prove more difficult and Soviet gestures more tempting. Ever since last autumn, when the Soviet Union offered—and the Yugoslavs had no alternative but to accept—substantial loans and credits on highly favourable terms, the eastern bloc generally, and Russia in particular, have been showing frequent and generous interest in Yugoslavia's difficult economic position. Most of Yugoslavia's trade agreements with the Soviet bloc for the current year are twice as big as last year's; under the agreement with Russia, which is for \$35 million each way, Yugoslavia is getting goods that it badly needs.

Prolific Soviet Offers

The Yugoslavs are now introducing their new economic policy, which involves cutting down on new investments and abandoning many cherished projects because of shortage of local funds. Russia has apparently already offered to help in the construction of various projects, notably in the mining and metal industries, and in the development of the rich copper resources at Majdanpek for which the Yugoslavs had hoped to attract foreign capital. The Russians in their anxiety to impress the Yugoslavs have even offered them grain from their "wheat surplus." Moreover, their prolific offers are all of "unconditional" help with no counterpart fund "restrictions" or other "controls."

So far the Yugoslavs have avoided arrangements which would shift their country's economy too close to that of the Soviet bloc, and would thus give Moscow an opportunity to increase its influence. For political reasons they still look to the West for their main economic support. It is significant that the economic agreements recently signed with Italy, giving Yugoslavia \$60 million worth of useful investment credits for equipment, were welcomed by its official press for their political significance as much as for their

commercial value. The same importance was attached to the lengthy negotiations with Bonn over Yugoslav war claims which have now been settled favourably for Yugoslavia.

But the Yugoslavs are not happy about their economic relations with the West. They feel that longer-term arrangements would relieve them of much of the uncertainty which gives their present planning a hand-to-mouth character. Moreover, it cannot be lost upon them that whereas deals with the Russians are quickly closed, those with the West are—however unavoidably, because of normal democratic processes—subjected to long drawn-out negotiations.

Ruhr Coal Prices Freed

THE recent decision of the High Authority of the European Coal and Steel Community to set no new maximum prices when the ceilings on Ruhr coal expired at the end of March means that for the first time in over fifty years the price of German coal will not be formally determined by some controlling body. Before the second world war the cartel, the Rhenish-Westphalian Coal Syndicate, fixed prices. Coal as well as other prices were frozen in 1936 by the German government. After the war, maximum prices were set first by the Allied Control Commission and then by the German government. When the common market for coal was opened three years ago, the High Authority set maximum pithead prices on all coal produced in the Community. Two years ago, when the market situation was relatively easy, ceilings were removed from all areas except the Ruhr and the Nord/Pas de Calais area. Last year only the Ruhr coal was left controlled.

Although the decision to set ceilings rests with the High Authority, the treaty stipulates that before doing so it must consult the representatives of producers, consumers and workers through the Consultative Committee, and the governments through the Council of Ministers. The former group was almost unanimous that prices should be freed; the latter was divided. The High Authority's action came as no surprise, since it had already been largely determined by events. In the first place the High Authority's argument for retaining controls on Ruhr coal alone—that the price would otherwise be set by a cartel—fell to the ground once the protracted negotiations with the Ruhr coal sales agency (Georg) were concluded. From April 1st, Georg is replaced by three separate selling agencies (known as Geitling, Mausegatt and Präsident) which, except in a few specific cases, are to operate independently of one another, but subject to a continuing check by the High Authority. Although the new arrangement is unlikely to produce the competitive situation envisaged by the treaty, the High Authority could scarcely continue to set Ruhr prices on the ground it had previously taken. The choice therefore was between ceilings for all coal produced in the Community or for none of it.

Another development which limited the High Authority's choice was a subsidy arrangement discussed with the Ruhr coal producers by the German government. Last year, Dr Erhard, the Minister of Economics, urged the High Authority to maintain the price ceilings on Ruhr coal, not because he sympathised with the High Authority in its negotiations with Georg, but because of the inflationary effect of any appreciable increase in the price of coal. This

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year, a substantial rise in price was generally regarded as inevitable because of wage increases. But Dr Erhard was as anxious as last year to keep any increase in price to a minimum. The German government accordingly told the coal industry that it would be prepared to pay certain bonuses and to modify the social charges normally borne by the industry (the proposed changes would be tantamount to a subsidy of roughly six shillings a ton) if, in return, the industry would agree to limit its price increase to about three shillings a ton. Some increase in price was to be expected. The prices which seem likely to result will probably be below any ceiling the High Authority could reasonably have set if these internal German arrangements had not been made; but the German action raises other still unsettled problems for the High Authority.

Obviously the German government, or any other government, can affect the competitive position of its coal by changing the basis on which taxes are collected from the industry or social benefits given to the workers. The treaty recognises this and contains an outright prohibition against subsidies, state assistance or special charges. But it was clearly impossible to legislate for every action which a national government might take which might affect the conditions of competition in the coal and steel industries. For this reason Article 67 of the treaty provides that any action of a member state which might have "noticeable repercussions" on the conditions of competition in the coal and steel industries shall be brought to the attention of the High Authority by the governments concerned. This the German government has done.

The High Authority has now to decide whether the arrangements made by Bonn constitute a subsidy, in which case they are outlawed by the treaty and presumably the whole price issue is reopened, or whether they fall under Article 67, in which case they can probably be allowed to pass. Probably it will postpone a decision until a joint committee has finished studying the whole problem of the effect on coal prices of the various systems of collecting social charges in the Community. But the situation is a text-book illustration of the difficulties of integration by sector. Six countries can create a single market for coal and steel, and can remove such definable barriers to trade as tariffs and quantitative restrictions, by fiat. To free the common market from all national distortions is a much more difficult task. Basic industries cannot be separated from the social and economic structure of their country by the stroke of a pen.

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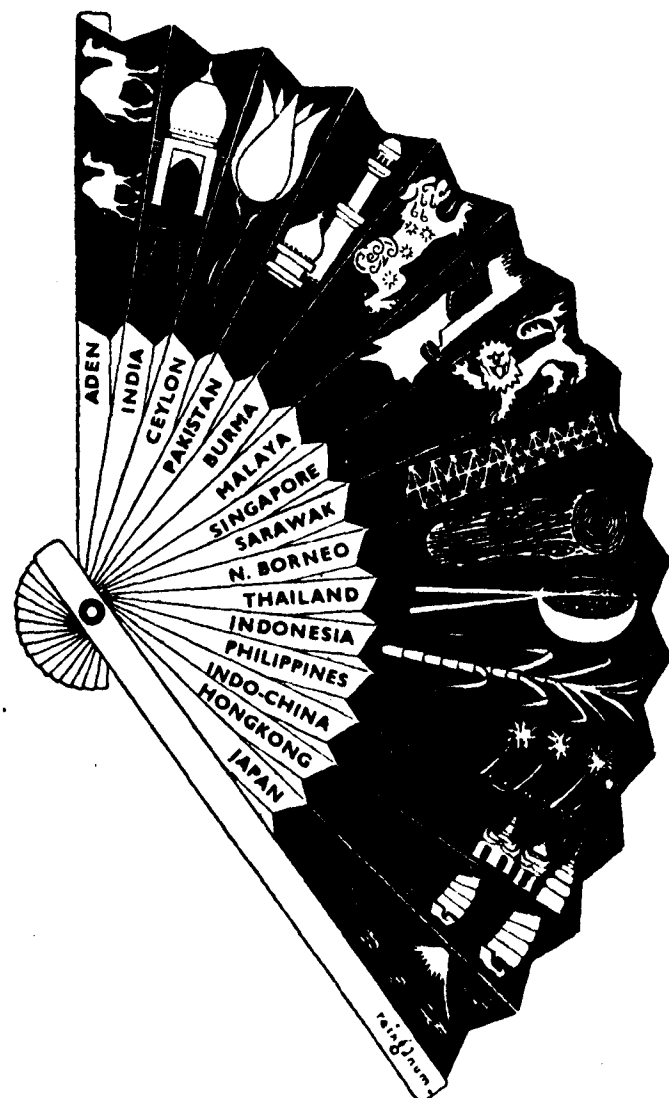
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THE BUSINESS WORLD

Clouds over the Motor Industry

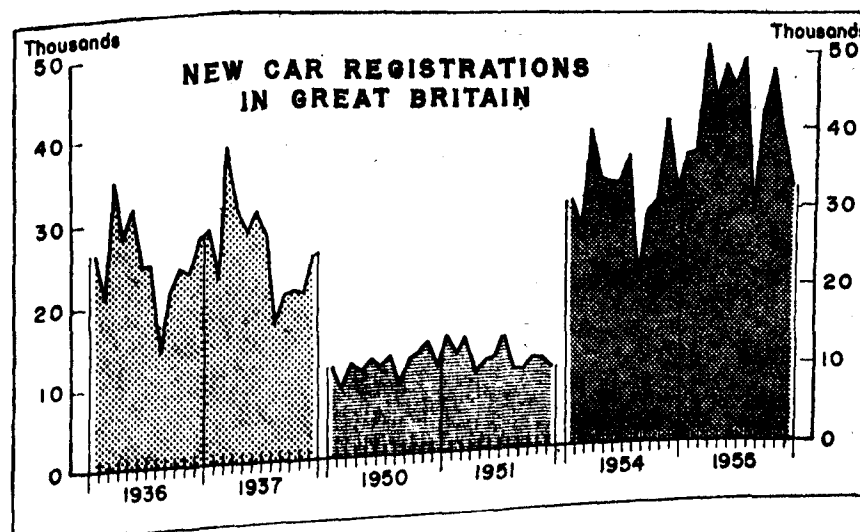
THESE are significant weeks, every year, for the motor trade; this year they may be crucial. It is clear that the usual Easter revival of car sales, new and secondhand, has taken place; but nobody can yet tell quite how much of a revival it is, in spite of the professional cheerfulness of the car salesmen. And from Warren Street right back to Longbridge the whole motor business is anxiously seeking to guess from these key Easter sales how much Mr Butler and Mr Macmillan have really restrained effective demand for cars in Britain's home market. For many small dealers, their own credit already tightened, this is a question of survival. For the manufacturers, the question is two-fold. How fully can they hope in coming months to employ the labour force they have had to put on short time during the last three months? And will the level of output that 1956 home sales appear likely to support enable them to operate profitably at present prices?

Even when the full figures of sales this Easter become available, it will be peculiarly hard for the trade to assess them. For the winter's restraints on car buying were imposed during the off season for sales, and it happened that this season was "more off" than it had been for years. As the chart shows, new registrations of cars in Britain never quite lost their seasonal pattern, even in the postwar years when motorists were glad to have a car at any time when a dealer deigned to let them have it. But it is only during the last two or

three years that sales have fluctuated as much between seasons as they did before the war, and it is certainly too early yet to trace a "normal" pattern over the year for postwar car sales.

Until the last few years seasonal variations in sales on the home market have not mattered much to the car manufacturer. Monthly figures of car production are not available for prewar years; the monthly pattern of output since the war, until very recently, appears to have followed mainly the convenience of the production schedule, with no doubt some attention to the convenient times for exporting cars to the Northern and Southern hemispheres. But since 1953, most of the rise in car output has been absorbed by the home market. From being a mere residue of the production that the manufacturers did not export, deliveries to the home market have risen to absorb now about 60 per cent of total car output. Moreover, exports during these years have become the less fluctuating element in output: the tail has begun to wag the dog.

With the whole market already in the process of return to a more seasonal pattern, therefore, it will not be easy to separate out just how much the measures of restraint have begun to affect home sales in 1956. Sales charts do not offer a very clear course for any motor car maker this year. But the internal composition of a home market of this size—525,000 cars a year—is as significant as its total



size, and one aspect of it is particularly important. What are these cars bought for—business or private motoring?

One reason why motor car output in Britain has not been affected by the short time working of the last two months quite as much as is generally assumed may be connected with this distinction between classes of buyer. Although the number of cars produced in February was about four per cent fewer than in January, the volume of motor car output, as measured in compiling the official index of industrial production, was in fact very slightly higher than in January. During their four-day weeks, the production lines appear to have been rolling off, on the average, bigger cars. Clearly, it was output of the smallest models that was being cut most sharply. In part, this may reflect the special circumstances, physical or financial, of the different makers. But it is perhaps not too much to see also in it the industry's hope that business, which broadly buys larger cars than the private motorist, will prove also a steadier customer in 1956.

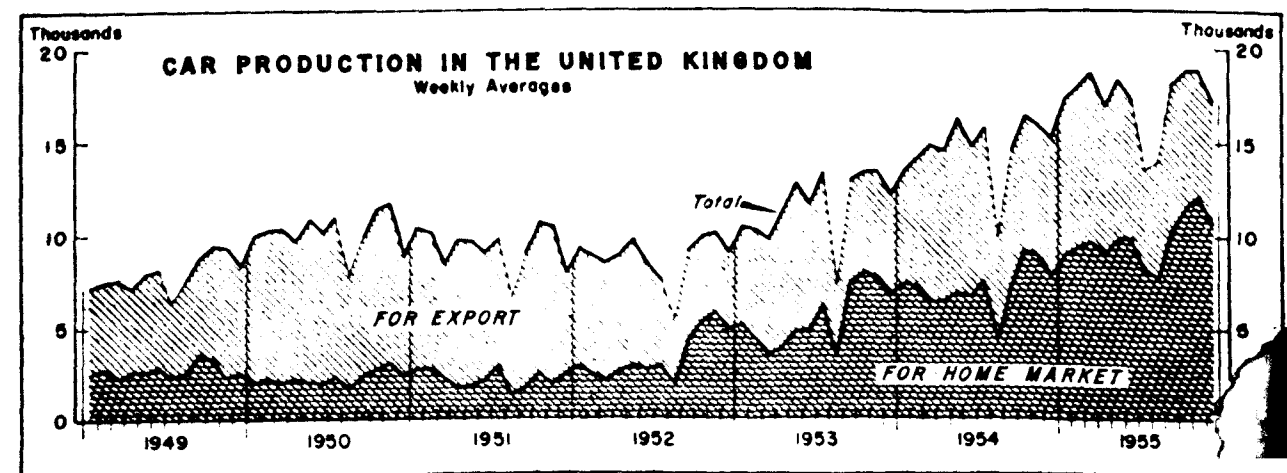
How many of the new cars does business buy? Nobody quite knows, and nobody has yet devised a statistically respectable way of finding out; but a variety of statisticians, official and unofficial, have had to make some kind of a guess. The best of these (which is still thick with reservations) suggests that immediately after the war business may have accounted for about 80 or 90 per cent of the total value of new cars sold, but that the proportion has declined steadily since. At the beginning of the current car boom, about 1952-53, business may have been taking about 60 per cent of car sales. But by last year, according to this informed guess, its share of home car sales by value may have fallen to much less than half. The actual percentages are not of much significance. What is significant is the drop during the last three years—years in which deliveries of cars to the home market have more than doubled. Whatever the actual proportion of business buying, the boom in home market sales of the last few years has been overwhelmingly a boom in private car buying.

Even if business is a steadier buyer in times of credit

restraint, therefore, its effect on what happens in the marginal market for new cars this year cannot be decisive. It probably is steadier, though this year it is more affected by general credit restraint than the average private motorist; hire purchase restrictions, moreover, affect quite a number of small business buyers. Secondhand values also affect the period that a business finds it commercially worth while to run its cars: the days are gone when premiums on the prices of cars a year or two old made buying new cars regularly (with initial allowance) the most painless of all forms of "investment". This winter, secondhand values fell more than seasonally, and recovered at Easter rather less than seasonally; moreover, the dealers have had to shave the margins between what they will allow for a car on part exchange and the price that they will accept in selling it.

With the Economic Survey's promise that if the present measures of restraint "are slow to produce results they will be reinforced," therefore, it is difficult to be optimistic about car sales on the home market this year. A slip in home sales of 10-20 per cent is quite on the cards, and probably within the Government's intentions. Nor is it likely that such an extra slice of output could readily be sold abroad, shifting the emphasis of the industry with the ease that an official in Whitehall can transfer a wrong figure from one column to another. In recent months exports of British cars to the Commonwealth have been good, allowing for the Australian import cuts; total sales in North America have declined and in Europe they have been almost disastrously lower than twelve months before. Against strong foreign competition—particularly German—the British motor industry will do more than well this year to hold its 1955 level of exports. *The Motor*, in a measured judgment of the Geneva show, said recently "... for any given standard of roominess, performance, and quality of finish, British prices seem already often to be at least 10 per cent above those of our competitors." Yet export prices are already less remunerative than home prices. Certainly the industry needs to exert more of its effort overseas; but at best this will take time.

These greyish prospects affect different firms differ-



ently. Of the big three, Vauxhall produces only two, bigish, basic cars, and cars represent a much smaller proportion of its business than the other two: Ford has two good looking new basic models to top its range, and with the change was able to raise some of its prices less visibly than the British Motor Corporation. According to trade rumour, BMC sales suffered proportionately more than those of some other popular makes this winter; but it did clear excessive winter stocks when its price increases became known last month, and is now comparably priced with its competitors. Competition must obviously become bitter this summer; but no motor manufacturer, at least in public, yet seems prepared to talk about price cuts as a means of competition. Their reluctance is understandable—the relationship between volume of output and cost in the motor industry is such that cuts in production may already have raised unit costs—if production of extra cars at overtime rates from American steel was indeed profitable last autumn. Standard, with its attractive new Vanguard, and Rootes, whose stable of cars retains a characteristic, cosy appeal to the eye of the British motorist, are already talking of initiating a second round of price increases.

The manufacturers regard whatever this summer may bring as a deliberate stifling of home demand, not as any natural decline; and at least in public they are

hedging none of their commitments to long-run expansion. Even if they concluded that the best natural rate of expansion the British economy could now offer were three years' boom and every fourth year through the wringer, they might still think this justified their plans. Such a prospect—and the technical doldrums in which British car design has now, one hopes temporarily, become becalmed—may make them worried about remaining competitive abroad. But within the industry, there is always the feeling that there are still one or two "independents"—or perhaps "not-quite-giants"—that might be driven into the ground, or at least out of this business. Outside the industry, many economic armchair strategists are already complaining that the motor makers are holding on too doggedly to their labour, and suggesting just where redundant motor workers ought to go. They have been premature: until the industry could guess how far the drop in trade was simply seasonal it would have been stupid to let go the workers it has spent two years' disproportionate effort to secure. They could still be wrong. Immediately, some shift towards export may be possible within this industry, by using the resources that have been making cars to make commercial vehicles and tractors. In the medium run, some of the things that have gone wrong with British car design ought to be curable. It is at least prudent to hope so.

Business Notes

Gold Gain in Perspective

THE announcement on Wednesday of a gold gain in March of \$67 million was greeted on the Stock Exchange with modest enthusiasm. Gilt edged stocks that had been better than steady since before the Easter break made another small advance. Though the new Account opened quietly in industrials the tendency was slightly upwards and the *Financial Times* index at 180.9 on Wednesday showed a rise of 1.8 on the week. In the exchange market the news was greeted with an enthusiasm that the rate hardly reflects. Sterling had been bought in anticipation of the figures and had strengthened against the dollar from \$2.80½ to \$2.80½. After the announcement a substantial offering in New York brought the rate back momentarily to \$2.80½. But sterling remained firm in continental markets and closed at \$2.80½. Both transferable and security sterling have reached the lower limit of the range of official sterling (\$2.78—\$2.82).

Official observers however confine themselves to cautious satisfaction. The increase in the reserves follows on a sizeable gain in February, but the total increase of \$157

million in the first quarter of 1956 restores slightly less than a quarter of the loss in the whole of 1955, and the early

RECOVERY IN THE RESERVES

(\$ million)	Gold payments (—) or receipts (+)		US Aid	Change in Reserves	Reserves at end of Period
	EPU Settlement	Other Dollar Accounts			
1955—					
I	— 1	— 143	40	— 95	2,667
II	+ 86	— 88	45	+ 13	2,680
III	— 105	— 940	10	— 335	2,345
IV	— 119	+ 95	10	— 225	2,120†
1956—					
January	— 23	+ 46	6	+ 29	2,149
February	— 8	+ 63	6	+ 61	2,210
March	— 16	+ 78	6	+ 67	2,277
I	— 47	+ 187	17	+ 157	2,434

* Settlements with EPU governed by balance in previous month.
† After deducting annual service charges of \$102 million on US and Canadian postwar loans, but not quarterly instalment of \$7½ million on Canadian loan of 1942.

months of the year are seasonably the most favourable; the first quarter's gain this year is also smaller than that achieved in the first quarter of 1954. Moreover, the sterling area has not yet quite succeeded in ending the long run of deficits with the European Payments Union. The deficit for March (to be settled three quarters in gold next week) was however less than £0.5 million, whereas the March gold settlement in respect of the February deficit involved a payment of \$16 million; after taking account of receipts of \$5 million in defence aid, the surplus on other dollar accounts came out at \$78 million. Payments during the month included the regular quarterly instalment of \$7½ million on the Canadian loan of 1942.

How Big was the Deficit?

It is impossible yet to see how far the latest recovery in the gold and dollar accounts is attributable to Britain itself, and how far to the overseas sterling countries. Detailed figures of the balance of payments in 1955, published this week,* make it clear that the fall in the reserves in 1955 at least would have been much greater but for the relief provided by the overseas sterling countries. That marks yet another difference between the sterling strain of 1955 and its counterparts of earlier years. In the earlier crises, the overseas sterling countries added to Britain's difficulties. In 1955 they mitigated them.

In 1955, Britain's current balance with the dollar area worsened from a deficit of £87 million to a deficit of £207 million and Britain's net dollar balance (including capital items) from a deficit of £14 million to one of £188 million. This deterioration, however, was exactly offset by a rise in the net dollar surplus of the colonies and the independent sterling countries; their surplus (including a rise from £138 million to £176 million in gold sales in London) reached £188 million compared with £164 million in 1954. The net fall in the reserves last year reflects mainly a major deterioration in Britain's balance with the OEEC countries (settled through EPU). The sterling area's gold and dollar deficit with the non-dollar areas was £229 million (compared with £63 million) and this was the measure of the fall in reserves.

It is evident from the detailed figures that the preliminary estimate of the current deficit in 1955 at £103 million (after crediting defence aid) rests on a more tenuous basis than usual, and that it may exaggerate the size of the deficit significantly. This emerges from the fact that the sum of the two sides of the accounts differ to the extent of no less than £175 million. The Government lent abroad £42 million more than it borrowed or repaid; private long-term investment overseas is estimated at £125 million (down from £200 million in 1954); and identifiable movements of short-term capital, including the running down of overseas sterling balances to the extent of £167 million, are estimated to have involved a further net outflow of £134 million. With a current deficit estimated at £103 million, total outgoings would thus amount to £404 million—which is £175 million less than the running down in the gold reserves. The discrepancy must imply that outgoings have been over-estimated. One obvious

* United Kingdom Balance of Payments 1946 to 1955 (No. 2), Cmd 9731.

source is the inflow of unidentifiable short-term balances to London; but the whole error does not necessarily relate to the capital account. All that can be assumed at present is that the United Kingdom did incur a substantial current deficit last year.

The Exchequer Surplus

THE fiscal year ended last Saturday with an "above-line" surplus that far surpassed last April's estimate and was also a good deal larger than had been generally expected a few months ago. At £397 million, it was only £36 million short of the big surplus attained in 1954-55, and it contrasted with an original expectation of £148 million—an estimate that was raised to £163 million when the effects of last autumn's increase in purchase tax was brought into account. Over two-thirds of this £234 million difference between expectation and performance was attributable to revenue, which bettered the estimates by £168 million, and

EXCHEQUER OUT-TURN AND ESTIMATES
(£ million)

	Year's out-turn	Change on 1954-55	
		Actual	Original Budgeted change*
Income tax.....	1,943	+ 50	- 16
Sur-tax.....	139	+ 4	+ 1
Death Duties.....	176	- 12	- 3
Stamps.....	71	- 5	- 1
Profits Tax and EPT.....	193	+ 20	+ 7
Excess Profits Levy.....	18	- 58	- 52
Other Inland Revenue.....	1	- 1	-
Total Inland Revenue.....	2,450	- 2	- 63
Customs.....	1,149	+ 49	+ 32
Excise.....	865	+ 93	+ 39
Total Customs and Excise ...	2,013	+141	+ 71
Motor Vehicle Duties.....	87	+ 8	+ 1
Post Office (net receipt).....	- 1	- 1	- 5†
Broadcast Receiving Licences.....	26	+ 4	+ 3
Receipts from Sundry Loans.....	30	+ 7	+ 1
Miscellaneous Receipts.....	198	+ 2	- 21
Total Ordinary Revenue.....	4,893	+155	- 13
Debt Service (inc. sinking fund).....	674	+ 68	+ 31
Other Cons. Fund Services.....	69	+ 10	+ 4
Supply—Defence.....	1,405	- 31	+ 58
Civil.....	2,347	+143	+165
Total Ordinary Expenditure.....	4,496	+191	+257
Above-line surplus.....	397	- 36	-270
"Below-line" net expenditure.....	538	+ 37	+ 83
Overall deficit.....	141	+ 73	+353

* Including £15 million of revenue expected from purchase tax increase made last October.

† Net deficit included in supply expenditure.

only £29 million of this came from special windfalls (in miscellaneous receipts and sundry loans). The big contributors were income tax, which bettered the estimates by £66 million, and customs and excise, which together exceeded them by £71 million—affording clear evidence of the extent to which this budget buoyancy reflects the effects of inflation. Those effects are discernible too on the expenditure side, since gross expenditure on defence

was appreciably less than in 1954-55 and fell short of estimate by £119 million. Hence, although debt service cost £38 million more than the estimate, total above-line expenditure showed a shortfall of £66 million—though it exceeded 1954-55 expenditure by £191 million.

Net outgoings "belowline" also bettered the estimates, to the extent of £46 million, thanks partly to the receipt of £25 million from steel realisation, for which no provision had been made in the budget estimates. The big influence below the line, however, has been the massive switch of local authority borrowings from the PWLB to the market. Up to end-October, when the new policy was introduced, these borrowings were running far ahead of those for 1954-55, yet in the full year they actually showed a decline of £23 million, at £330 million. Had it not been for this strong relief, belowline expenditure as a whole would have far surpassed that for 1954-55; as it was, the increase was limited to £37 million net. The "overall" deficit thus proves to be only £73 million larger than in the previous year, at £141 million, whereas the April budget had envisaged a deterioration of £368 million.

Output Slackens

INDUSTRIAL output in February appears to have been one to two per cent lower than in January, when allowance is made for seasonal variations: the actual production index is expected to be 142.143, compared with the provisional index of 141 in January, but output generally rises more than this between the two months. The slip downward, if later figures confirm it, has come after nine months of fairly stable high production: the plateau was reached in about May last year, since which time changes in the index of production have been little more than seasonal.

Car output, in volume, was in fact no lower in February than in January—the number of cars produced was down but a larger proportion than usual seem to have been bigger models. Some of the suppliers to the industry, however, probably reduced their output more directly in line with the number of cars produced, and car makers were probably running down materials and component stocks to some extent. Other industries making consumers' durable goods such as radio, refrigerators and electrical appliances, were more affected than the motor industry by credit restrictions. Bad weather, too, reduced work on building and construction—though probably not more than in February, 1955.

Hire Purchase Under Pressure

MARCH was the first full month of hire-purchase trading under the new restrictive rules, and the figures from HP Information show some of the effects of that pressure. The total number of contracts reported shows a drop of about 23 per cent on March of last year at 55,201, compared with 54,750 in February and with 69,256 in March of last year. Contracts for new cars show a smaller drop

of 15½ per cent at 7,053, compared with 6,135 in February and with 8,348 in March last year. The full effect on motors of the new measures has probably been cushioned by the fact that though Easter itself fell just in April this year, the Easter buying rush coincided almost exactly with the

NUMBER OF HP CONTRACTS

	Mar., 1955	Feb., 1956	Mar., 1956
Cars.....	38,308	31,122	32,640
Commercial vehicles.....	7,258	8,067	6,858
Motor cycles and side cars.....	19,715	12,999	12,697
Caravans.....	1,428	904	1,367

Source: HP Information.

start of the quarterly licensing period. Business that might have been done in April had Easter been a week later, as it was last year, has probably been advanced into the last days of March.

Switch and Transferable Sterling

THE gap between the rates for transferable and security sterling has now all but disappeared. The latest rate for security or switch sterling is \$2.77½-8, while transferable sterling is quoted \$2.78-4. The narrowing of the spread between these rates and the fact that both are now close to the rate for official sterling are evidence of the greater interchangeability of the various types of non-resident sterling. Even the relatively black market for resident sterling, which flourishes in New York, the Middle East and Hong Kong, can quote close rates around a middle price of \$2.76½. The activity of these markets provides a fair measure of the extent to which all types of sterling are now convertible.

The link between transferable and security sterling is now so close that overseas foreign exchange dealers normally hedge between the two, being content to cover a long position in one by a short position in the other. In the recent heavy buying by American investors of certain British oil shares supplies of "switch" sterling have been insufficient and there is evidence that transferable sterling has also been used. There is also a link between the rates for the two varieties through the relatively free markets within the sterling area of Kuwait, Bahrain and Hong Kong. Dollars earned in those territories tend to find their way into sterling through the cheapest route, and usually that has been through security sterling. The operation by which the Middle Eastern holder of dollars transfers into sterling is often devious: it may involve the purchase of dollar securities and their sale against sterling to a non-resident holder of switch sterling.

The buying of sterling from these quarters has been substantial, but the official market rate which should have received its support, has not benefited, while the rates for cheaper types of sterling have been forced upwards. At the same time transferable sterling has been supported by purchases on behalf of certain European central banks in an attempt to minimise their EPU deficits. These purchases may account for the fact that there has been no need for the Exchange Equalisation Account to support transferable sterling for some time past and that the rate

has held firm despite the absence of support. These developments underline the essential homogeneity of the various types of sterling in a world in which it is still widely used for international transactions and in which the growing freedom of commodity and financial markets is constantly pulling against the segregation of sterling into watertight compartments.

The Cotton Board's Case

THE Cotton Board has now published the detailed case it has presented to the government for protection against duty-free imports of cotton cloth. The case—rejected more than once—is now opened to public inspection. It is at its best when emphasising the changed pattern of world manufacturing since 1932, when Britain undertook to continue under the Ottawa Agreements the duty-free entry of cotton and certain other manufactures from the Commonwealth. No one then foresaw the emergence of India as a leading exporter of cotton goods, with major markets in Britain and the Commonwealth. In contrast, the rayon industry is protected by a preferential duty that is five-sixths of the full rate, and the motor car industry by one that is two-thirds of the full rate (33½ per cent).

The case is weakest when it harps on the lower wages in Indian and Hong Kong mills and of the Indian mills' access to domestic cotton at prices below the world level (an advantage which should diminish with the fall in world prices). The board states that it is impossible for Lancashire to bridge the gap between its own and Indian and Hong Kong prices, ignoring that the gap need not be completely bridged for Lancashire to be competitive. Nor does it satisfactorily explain why Lancashire has lost ground in overseas markets to European as well as to Asian competitors. When discussing the fall in production and employment it ignores the decline in business attributable to the fall in prices of raw cotton. The impression is created that the industry's troubles can be blamed entirely on events beyond its control.

How the Boom was Financed

MUCH of the information published last week in the preliminary white paper on national income and expenditure* was "scooped" by the Economic Survey published the day before: but the white paper fills out some details of the national finances during 1955. It traces, for example, the sources from which industry raised the money to finance the heavy investment in fixed capital and stocks that played so significant a part in last year's boom. Trading profits of companies and public corporations rose markedly less than in 1954 (by 8 per cent against 12 per cent). This slackening in the rate of increase in profits had to be contrasted with the considerable increase in industry's needs for finance.

* Preliminary Estimates of National Income and Expenditure, Cmd 9729

Whilst undistributed profits of companies, after tax, rose by only £114 million, to £1,496 million, their fixed investment rose in value by £206 million (very nearly one quarter), and their stocks by £285 million, so that for once they were investing substantially more than they ploughed back. The decline in corporate liquidity was apparently mitigated in part by finance from other sectors, notably the central government. Gross fixed capital formation by persons, companies and public corporations rose by £369 million; that of the central government rose by £4 million, while local government investment fell by £79 million. Physical stocks held by the non-government sector rose by £471 million which was £226 million more than in 1954; and £236 million (an increase of £156 million) was needed to provide for the increased cost of stock replacement.

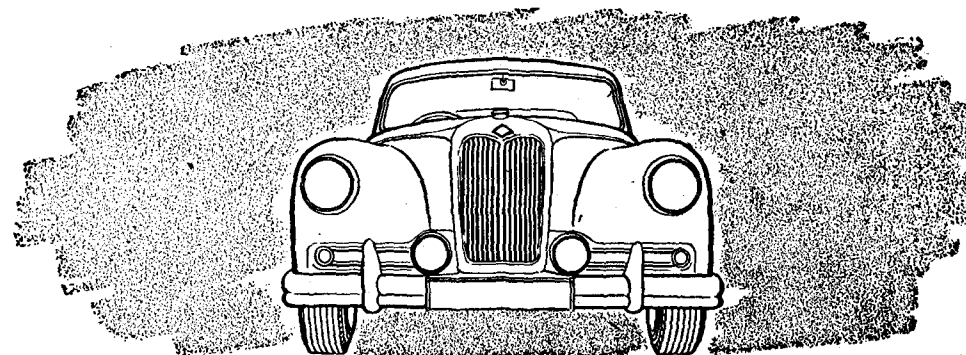
In total, the net extra needs for finance amounted to almost £700 million. Of this, £308 million was provided by the transformation in the balance of payments (to a deficit of £103 million) and a further £233 million by an increase in the Government's current revenue surplus. Savings by persons, life offices and unincorporated businesses are also estimated to have increased, by £70 million, to £962 million. While this is always the least reliable of the estimates of the statisticians, since it is calculated as a residual, it seems to support the evidence of a marked recovery in savings in the personal sector since 1951.

Better Control for DSIR

POSSIBLY the hardest decision in any single research project—and probably the most important in successful administration of any continuing research programme—is to know when to stop. This, according to an interim report published this week by a committee of inquiry, has been the main weakness of the Department of Scientific and Industrial Research. Organised as a government department whose secretary has the responsibility to "co-ordinate, guide, serve and in some respects to control the centres where the research is done," the DSIR, the committee thinks, has been unable to secure the most efficient use of these research resources in the national interest. As a result, many research projects have been started: too few stopped. The committee suggests, therefore, that the work of DSIR should be under the charge of an executive council rather than the present purely advisory council: and this change is being made in a bill now before Parliament.

The importance of getting full value for its money is accentuated by the small amount DSIR has, in all, to spend. It operates on a budget of £6.5 million a year, out of which sum it supports 14 research establishments and makes grants totalling £1.3 million to 45 separate co-operative research association that also receive some support from industry. It is hardly surprising that to the DSIR the money never seems to go far enough. In its annual report for 1954-55, the department complains that it has received from almost every research section "pleas that the resources available for particular purposes are in fact inadequate or likely soon to be inadequate."

This was the first year in which the DSIR was working to its new 5-year plan which assured it of a steady annual



THE BRILLIANT



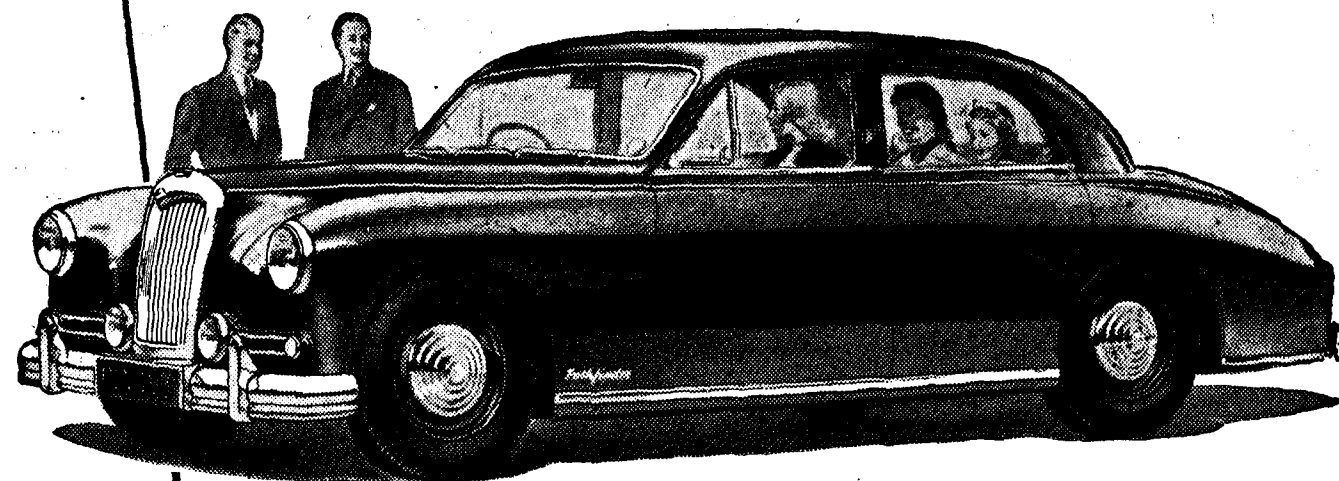
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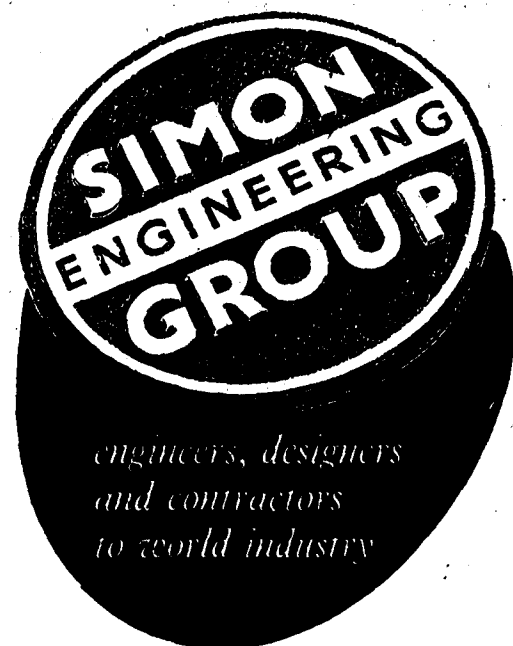
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income of rather more than £6 million in place of a sum fixed annually. For the first time, this enables the DSIR to plan on the long-term basis essential to research, but it also means that as costs rise, the number of projects supported has to be trimmed to fit the confines of the 5-year budget. If all its sections are to discharge their responsibilities the department hints that it may soon have to invoke special clauses in the five-year plan that allow for adjustments when rising prices outstrip its income.

Monopoly Inquiries Shelved

ANY suppliers of sand and gravel in central Scotland who were alarmed by the Monopolies Commission's recent conclusion that their price fixing arrangements operated against the public interest and ought to be discontinued had their fears quickly allayed, if perhaps only for the time being. At the same time as he announced the Commission's conclusions in the House of Commons Mr Thorneycroft said the Government proposed to do nothing about them. This was in accordance with the policy already announced of taking no action upon matters that would become subject to the jurisdiction of the proposed new Restrictive Practices Court. Last week he added that for the same reason nothing would be done about the recent report on the tyre industry. This decision was rather more significant. A majority recommendation of the Commission in the tyre report was that individual resale price maintenance—which the Commission felt was the main instrument by which tyre manufacturers carried out their "gentleman's agreement" to quote common prices—should be made illegal. The new Restrictive Practices Bill, on the contrary, will in fact strengthen individual firms' power to enforce resale price maintenance. Mr Thorneycroft, however, did indicate that in his opinion this quite unwritten gentleman's agreement might fall within the definition of "arrangements" that will have to be registered and may be investigated by the Restrictive Practices Court.

The Monopolies Commission has also recently reported to the Board of Trade on the linoleum industry, but this report has yet to be published. Its inquiries into rubber footwear, industrial and medical gases, heavy electrical plant, tea, and standard metal windows and doors are nearing completion, and these reports will be published. At the suggestion of the Board of Trade it is shelving its inquiries into electric batteries, street lighting equipment, steel frames for building, common prices, and agreed tendering; when he obtains the power to do so under the new Bill, the President of the Board of Trade proposes to withdraw these references. The Commission will then be left with an inquiry into the single firm monopoly aspects of chemical fertilisers and with an inquiry into the supply of electronic valves, which Mr Thorneycroft contemplates converting into a "factual reference"—i.e., with no conclusions about its relation to the public interest. Until the new Restrictive Practices Court comes into existence, therefore, monopoly investigation in Britain will be to some extent in abeyance. Under the subsequent "two-tier" method of monopoly investigation and control, the Commission will be concerned with investigating single firm monopolies and agreements relating exclusively to export markets.

Credit Insurance Lends a Hand

IT is fitting, as the purse strings tighten and as the pace of competition in exports quickens, that the Export Credits Guarantee Department should cut its profits and reduce premiums. The reductions announced on Tuesday cost about £250,000 a year on the basis of last year's business. The effective cost will be less if the reductions stimulate more exports or if a larger proportion of British exports than the present 13 per cent comes up for insurance. Fortunately the need for concessions has come at a moment when the department can afford them. Mr Low, the Minister of State at the Board of Trade, disclosed this week that for the financial year just ended the department came out with about £3 million surplus whereas it entered the year with £610,976 deficit on commercial business. Since the premium income for 1954-55 was £2,900,000 and was probably similar in 1955-56, the profit last year was greater than the premium income. That was because the year 1955-56 included a "claw back" of more than £4 million out of the £23 million that the department had paid out on debts in Brazil. There is now a genuine surplus in the department and no one should argue that British export insurance is subsidised.

The concessions have been applied to those markets where stable conditions exist; in the less stable markets rates are by commercial standards low enough in relation to the risk. But the areas of fiercest competition are those where more than 80 per cent of Britain's total trade is done. These are the main concessions:

- (1) Premium rates are cut by 10 per cent to 20 per cent in 110 out of 170 markets. The present average premium on business up to 6 months with all markets under Section I of the Act is 11s. 7d. per £100 for 85/90 per cent cover against "risk on buyer," transfer and political risk. The prewar charge for 75 per cent cover against insolvency only was 12s. 6d. to 25s. according to spread. Thus even before the present cut, the cover was greater and the cost less.
- (2) Limitations are removed from the extended short-term cover introduced a year ago. Facilities for the lighter semi-capital goods such as tractors, heavy commercial vehicles, and light industrial machinery were then limited to 20 per cent of the exporter's insured turnover. That limitation is removed; moreover the maximum period of credit is ex-

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tended from two years to a total (including pre-shipment credit) of three years.

(3) Insurance facilities for stocks held abroad are improved. Insurance is to be more generally available; it is to cover the risk of action by the overseas government preventing re-export of the stock; and it is to start from the date of shipment instead of from the date of taking the goods into stock. Moreover if the department decides to withdraw cover it must in future allow six months on existing stocks in which the exporter can dispose of his stock or ship it back.

These are substantial concessions, and they apply to substantial markets including the Commonwealth markets (of which Australia is the most important) and to some, but not all, the Middle Eastern markets.

Self-Generation for AEI

IN his second annual speech as chairman of Associated Electrical Industries this week, Lord Chandos again demonstrated his knack of raising wider issues without digressing from the affairs of the company. A year ago he raised the question of the supply of graduates in industry and other company chairmen followed him. This year he nailed his faith in long-term industrial expansion to the masthead and showed that to achieve it a high level of profits will be essential.

This is the thesis he propounded: the chemical and electrical industries must be among the leaders in the second half of this century; since 1900 the use of electrical energy has doubled itself every decade; since electrical devices amount to about 10 per cent of the cost of a nuclear power station and conventional equipment such as turbo-generators, switchgear and transformers to about 30 per cent, and since the demand for diesel-electric and electric traction is growing enormously, he expects the upsurge to continue. Indeed in some countries, of which Britain is one, it would not surprise him if the rate of growth was more than 100 per cent each 10 years.

In relation to that expected expansion he believes that the market's inability to supply the great amounts of finance needed will be increasingly felt. The needs of the big oil companies are already far beyond the capacity of the market; Lord Chandos believes that other big industrial companies will increasingly have the same experience. He regards legal or artificial dividend limitation as wholly unsound, but retained earnings "on at least the present scale" must be the main source of future finance. That to some shareholders may seem a bleak prospect, but to Lord Chandos it does not seem so. He hopes to maintain profits at a level sufficient both to carry out that capital development and at the same time to hold out hopes "over each decade of increased dividends."

Another Try in Wheat

AFTER nearly six weeks of bargaining in Geneva the International Wheat Conference has not been able to agree on the vital matters of the guaranteed quantities and maximum and minimum prices in a new wheat agreement.

In an understatement as disarming as it is masterly, the conference announced that it had adjourned, having agreed on a draft text, leaving to be decided *only the issues of prices, quantities and duration*. A final attempt to reach agreement will start in London on April 16th, when the conference will also consider further the proposals of Britain (which did not participate in the negotiations) for regulating the disposal of surpluses and rationalising wheat production.

There was general, though informal, agreement between importers and exporters on a new minimum price of 150 cents a bushel, five cents lower than the existing one. The importers suggested a new maximum price of 190 cents a bushel, compared with 205 cents now. After consulting the importers the chairman of the conference put forward a compromise of 195 cents, but the exporters stuck at 200 cents. Will the conference founder for the sake of 5 cents in the maximum price? The exporters would no doubt be readier to compromise if the importers could increase their guaranteed purchases.

Smokes and Drinks

PERSONAL spending on tobacco and alcoholic drinks rose markedly last year. From just under £1,700 million in 1954 total expenditure jumped to about £1,760 million, double the rate of increase of recent years and all of it was represented, moreover, in increased physical consumption. In real terms, smoking went up by 2 per cent, as the industry had expected, though the extra sales were captured by only two of the firms. The breweries, however, sold about 3 per cent more, and the distilleries and wine merchants marked up an increase of ten per cent or more so that drink sales in all rose 4 per cent. Drink sales, alcoholic or otherwise, owed a lot to the summer weather: the sun brought at least a temporary halt to the slow decline in beer consumption.

Whatever the budget may have in store for these heavily-taxed habits it is difficult to see a similar expansion coming this year. But expenditure on smoking and drinking has often proved inelastic to changes in total spending power or in customs and excise duties, and with the possible exception of the breweries all the industries concerned are privately hoping to do at least better than last year. The Board of Trade's figures of retail sales do not as yet yield many clues. But the impressive gains recorded in sales of drinks and tobaccos by the larger retailers came to an abrupt halt in January, and off-licence shops and tobacconists amongst the independents turned in some minuses during that month.

A Blow to the Gold Clause

MUCH of the time of the Council of Foreign Bondholders is spent in upholding the "gold clause" in foreign loan contracts. It forms part of the security of many foreign bonds and gives the bondholder protection against currency devaluation. Those efforts are not affected

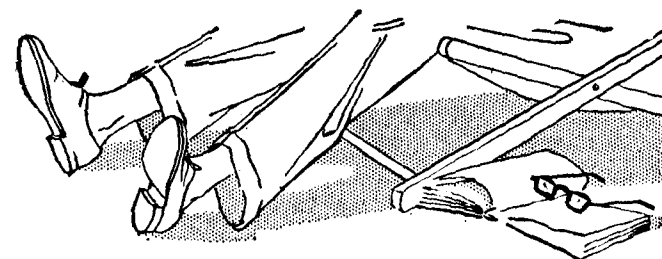


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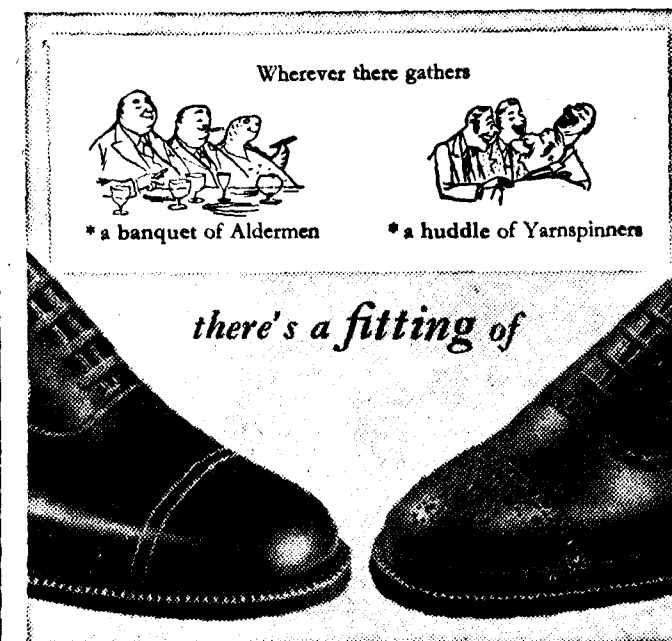
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I.C.I.? Rubbing shoulders with the big brass, aren't you?

Not a bit of it. Most of the stockholders in I.C.I. are small investors like me.

That's hard to believe.

I used to think the same — until I checked the facts. The truth is, 85% of the stockholders hold, on the average, less than four hundred £1 units of stock each.

But the rest hold a nice little packet, I'll bet!

Wrong again. There are surprisingly few large holdings and most of those belong to life insurance companies, pension funds and investment trusts.

So the money is spread throughout a very wide circle, when you work it out.

Yes, but somebody must hold a controlling interest.

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Well, my own son works for them, you know. There's another thing — he's a stockholder himself now! With the new profit-sharing scheme in full swing, more than 80,000 employees like him now have their own stake in the company.



by the legal decision in the case of Treseder-Griffin and another versus the Co-operative Assurance Society Limited. But the gold clause in purely domestic contracts received a blow from that judgment which will, if it is upheld by the House of Lords be fatal to landlords seeking to protect themselves by inserting gold clauses in their leases.

The case concerned a lease of shop premises given in the 1930s which included the words "paying either in gold sterling or Bank of England notes to the equivalent in gold sterling the rent of £1,900 . . . by equal quarterly payments." The majority judgment found the gold clause unenforceable because "no one shall buy, pay, or receive any gold coin for more or less than the true lawful value which it did by its denomination import" and because it is unlawful for a creditor to stipulate for the payment of a money debt in any other way than in normal currency.

Landlords who have used various methods of protecting themselves against currency depreciation still hope to be more successful with some of the "inflation clauses" by which rents of business premises on long leases have been linked with various statistical indices. Amongst yardsticks which have been suggested for this purpose are (1) the cost of living index, (2) weekly wage rates for all industries, (3) cost of consumers goods and services, and (4) the wholesale price index. It is believed that at least one important property company has linked its rents to the index of weekly wage rates published in the Monthly Digest of Statistics, altering the rate when there is an increase of not less than 10 per cent compared with a datum figure. It remains to be seen whether this method will be challenged in the courts.

Searching for Whales

SEARCHING for whales in the Antarctic is less chancy than looking for a needle in a haystack, but the margin for error is still uncomfortably great. For once the fleet of Hector Whaling, Ltd., appears to have been unlucky. Its catch in the season which ended last month was roughly half that of 1954-55. Production of whale oil fell to 11,600 tons from 24,800 tons, and production of sperm oil fell to 5,933 tons from 6,492 tons. Its competitors fared better. Salvesen and Company of Leith, a big private company, is believed to have done well; the Japanese and Dutch fleets caught rather more than last season, the Norwegian a little less and the Onassis fleet about the same. Allegations that his fleet has contravened international regulations have again been made by the Norwegians, who successfully applied to a Hamburg court for the seizure of about 9,000 tons of oil from an Onassis tanker. The total reported catch was a little below the permitted figure of 15,000 blue whale units, and production was probably in the region of 300,000 tons.

Sales were unusually late this season. Fairly small quantities were sold in advance last October at £85 a ton; then came a long pause while buyers and sellers haggled. Early this year between 30,000 and 40,000 tons were sold to a number of buyers at £87 10s. a ton, and early in March Unilever took about 110,000 tons at £84 to £85 a ton; Norwegian consumers took about 40,000 tons at the same prices. The bulk of last season's catch was sold at £75 to £80 a ton. Sellers have been helped by the shortage of

olive oil, which has led to a sharp advance in prices of other edible oils. But there is still something like 70,000 tons of whale oil unsold. The Japanese fleets have sold very little so far, and Mr Onassis has not yet been tempted.

New Twist in Synthetic Fibres

AMONG the important advances now being made in textiles is the development of "bulked" yarns; this promises to make synthetic fibres attractive over a wider field, one in which they will be more competitive with natural fibres and natural and synthetic mixtures. Hitherto, if a light, thin and smooth-surfaced fabric was required a continuous filament yarn would normally be used. But fullness, softness, warmth and a varied texture have generally called for spun yarns, and spun yarns of such synthetic fibres as nylon lacked the warmth, resilience and surface interest of cotton or wool, though they had other advantages of their own, notably superior strength and speed of drying. The process of bulking gives to a continuous filament yarn such as nylon properties that have hitherto been peculiar to the natural fibres, while retaining its original advantages. Some processes impart bulk only, some bulk and stretch, and some twist as well.

The Taslan process, which gives bulk but not stretch, was developed by du Pont. A nylon yarn treated by this process retains its strength and will dry almost as quickly as before. It gives a warmer feel and a more resilient fabric. Ban-Lon, a process developed in America by Joseph Bancroft and Sons, imparts bulk and stretch by permanently crimping a multi-filament yarn. Several British firms are now licensed to make both these yarns. British Nylon Spinners are introducing Agilon, a nylon yarn having bulk and stretch; each filament looks like a coiled spring. Bulk yarns are more expensive than ordinary types, but cheaper methods of processing are being developed. As the cost of bulking falls it can be expected that the application of these yarns in hosiery, apparel and fabrics will steadily increase.

The Youngest Public Corporation

UNTIL the South of Scotland Electricity Board published its first report and accounts last week, no financial details had been given of the assets that it took over when it was separated from the Central Electricity Authority a year ago. This new nationalised board was established by the Electricity Reorganisation (Scotland) Act 1954, which amalgamated the two area electricity boards and the two CEA generating divisions in South Scotland as an independent entity. It took over twelve steam and seven hydro power stations with a total installed capacity of 1,221,645 kilowatts, including the Portobello high pressure station, which is the most efficient thermal generating station in Britain, with a thermal efficiency of roughly 32 per cent. The two authorities have finally agreed to value the assets taken over by the new board from the CEA at £69,485,029; in its first nine months of operation, the new board spent another £10 million on capital expenditure, borrowing funds

to do so partly by an issue of stock to the National Debt Commissioners and partly through bank overdrafts. Its income from sales of electricity, some £20 million during the nine months, was about 10 per cent higher than that of the corresponding area boards in the last nine months of 1954, and it made a surplus after paying interest of £588,824, about 7d. in the £ of revenue.

The new board has taken over the programmes of extensions of generating capacity in its area that the Central Authority had already prepared for the years up to 1960 and has extended these to cover the loading conditions it expects up to 1963. Its development is broadly based on the principle that plant in South Scotland, plus the surplus power that the North of Scotland Hydro-Electric Board expects to be able to export there, ought to meet demand in the area under normal conditions. In practice, however, the board's system is run continuously interconnected with the CEA system in England, and generating stations on both systems are loaded and taken off load in the correct order of running costs per unit to ensure that power is generated at the lowest cost irrespective of whether it is made in Scotland or in England. The motives behind this separation of the two Scottish boards from the former British Electricity Authority, other than some gesture towards Scottish nationalism, have never been thoroughly explained. But the operations of this comparatively small nationalised authority derive an added interest from the suggestions of the recent Herbert Report that responsibility in the electricity industry might usefully be more decentralised.

Cans under Pressure

THE fivepence "per basis box" added to tinplate prices last week may not by itself have much effect upon sales of canned goods. The increase was well under one per cent and tinplate forms only a small proportion of the cost of a filled can in the shop. But any factor that may help to slow down the boom in this item of consumers' purchases this year will be welcomed by the steel industry, since about £7 million was spent last year on importing tinplate to meet rising home demand. It is too early to detect any slackening in spending on canned goods yet: the weather of the last few months and some shortages of fresh vegetables have made sales exceptionally brisk. But a number of the newer packs that are bought more as luxuries rather than as necessities for the larder may feel the pinch of the Chancellor's cuts.

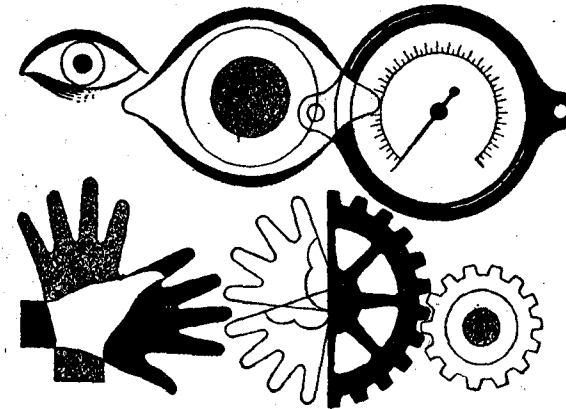
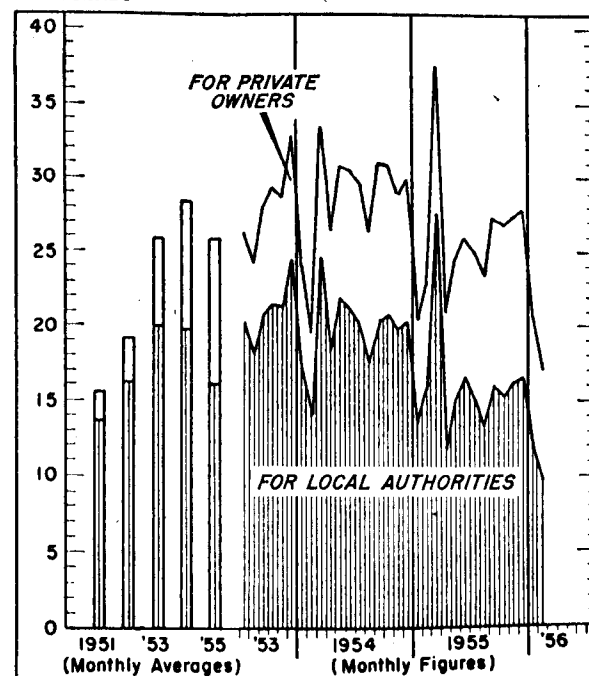
Additional capacity at Richard Thomas and Baldwin's tinplate mill at Ebbw Vale and the new plant of Steel Company of Wales at Velindre should be contributing to tinplate supplies this year but not until the summer canning season is over. As these mills may draw some labour from the existing mills, home production may rise in 1956 by only 40,000 tons or so to about 870,000 tons. This ought to permit a cut to be made in imports. But the companies have arranged to ship only 35,000 tons against 80,000 tons last year; no doubt some of their customers will be ordering for themselves as they did last year when they purchased about 7,600 tons. Since home consumption has lately been growing at more than 10 per cent a year and direct exports could be pushed above last year's 317,000 tons, supplies could become very tight for a while during the summer.

A Pound of Clean Potatoes

IT is about three years since fresh fruit and vegetables began to be sold on any significant scale in Britain in pre-packed form—that is, already wrapped up before the customer buys them. About 100,000 of these packages—usually transparent sealed bags of cellulose or polythene film, containing fruit and vegetables that had generally been cleaned—were sold in 1954. By the end of 1955 turnover had reached about 2½ million packages a month, and during 1956 growers hope to sell about 60 to 70 million separate packages in this form—with a total retail value of perhaps £2-£3 million, compared with total fruit and vegetable sales of perhaps £600 million a year. The firms that have taken up this system—growers and manufacturers of packaging materials who are at present selling to a very large extent through self-service shops—think that eventually they may be able to sell ten times as much. In the United States about one-fifth of all fresh fruit and vegetables is put into packages before the shopper sees it. Enthusiasts for prepacking in this country hope to be able to sell about 5 per cent of the kinds of produce that it is possible to pack; but this modest ambition would secure them between a quarter and a third of the turnover of the canning industry.

At present, pre-packaged fruit and vegetables cost 1d. or so a lb more than the same produce loose, but growers argue that the quality is generally better and that the dirt and waste are usually removed before the customer gets the goods. The packaging—a net or transparent bag, with sometimes a cardboard stiffening—costs perhaps 2d. or 3d. per lb of fruit and vegetables. But the growers hope to offset this by making savings in distribution and by packing on a large scale at central factories in growing areas. It intends to guarantee the margin of higher quality by using brand names and probably by dating fruit and vegetables inside the package. About 100 growers are now co-operat-

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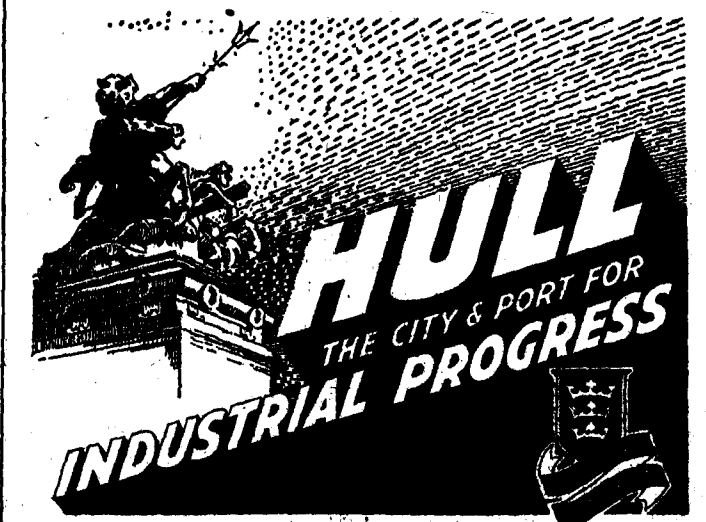
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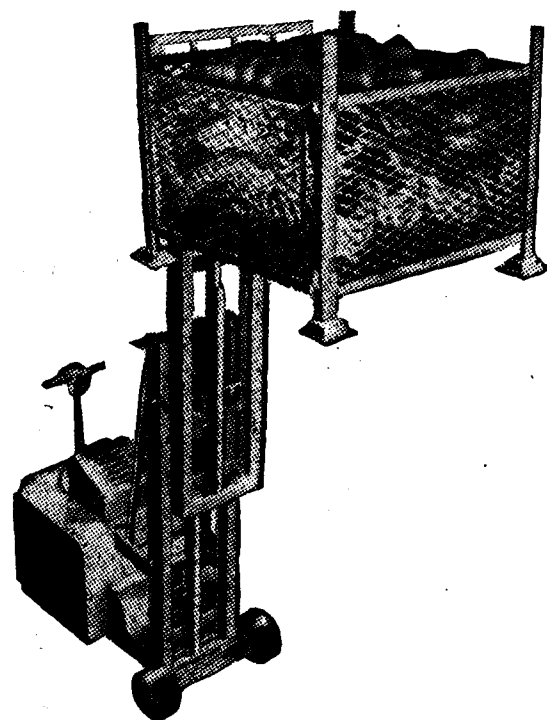
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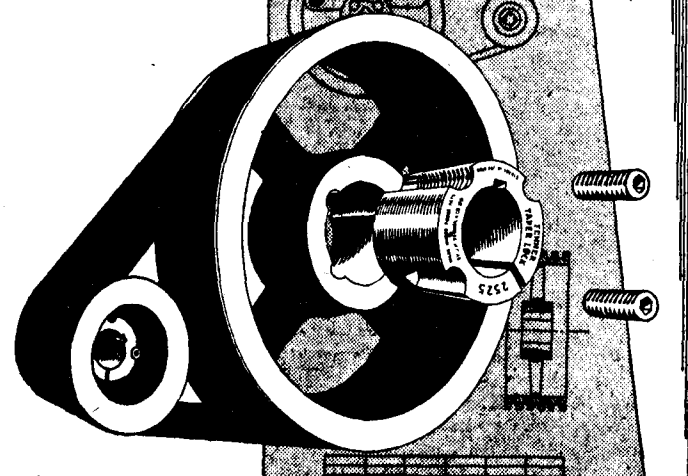
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ECONOMIST, APRIL 7, 1956

ing with packers or packing themselves; some of them, operating on a fairly large scale, are using bulk imported produce to balance their own growing seasons—though this may raise difficulties in guaranteeing quality.

Obviously any considerable development of this way of selling fruit and vegetables would mean significant changes in the normal distribution system. More than 1,000 retailers are handling pre-packed produce at present, including co-operatives, multiples and chain greengrocers, and some of the larger retailers have begun to pack the fruit themselves. The development is as yet almost too small to have much impact on the wholesalers and on the whole transport and distribution system which works through the fruit and vegetable markets. Most of the growers at present using it are by-passing the markets, and think of continuing to do so when they start packing on a much larger scale—possibly in co-operative packing factories. But larger deliveries of this pre-packed produce might involve significant investment in transport and handling facilities. It would be very early to assume that the fruit and vegetable wholesaler—who will in any case handle in bulk most of the fruit and vegetables sold—will not have a role to play in distributing this packed produce.

SHORTER NOTES

Mr Molson, Parliamentary Secretary to the Ministry of Transport, made it quite clear in an adjournment debate before Easter that the government were in no way inclined to subsidise the cost of street and off-street parking in

towns. If any doubt—or hope—still lingered about this in motorists' minds after Mr Watkinson's statement a week before, this categorical statement should finally remove it. But one factor still needs clearing up. A clause has been written into the Road Traffic Bill to forbid the use of the net proceeds of parking meter charges for anything but helping to meet the cost of off-street garages. Whose garages will this money now subsidise?

Following the confirmation that Britain's first general purposes synthetic rubber plant is to be built at Fawley, where it will be near to the Esso oil refinery, a goodwill mission of British rubber manufacturers has left for Malaya for talks with the rubber producers. The British delegation's view is that Malayan fears about British synthetic rubber plans are exaggerated. The delegation includes representatives of the Dunlop Rubber Company, the British Rubber and Allied Manufacturers' Associations, Firestone Tyre and Rubber Company, and Goodyear Tyre and Rubber Company (Great Britain).

Since the increase in Australian bank interest rates last month, the interest factor in the sight and after sight buying rates of Australian exchange in London has been raised from 4½ to 5½ per cent. The new rates at sight are £A126 13s. 3d. seamail and £A126 1s. 6d. airmail; at 90 days, £A128 7s. and £A127 15s. 3d., respectively. The telegraphic transfer rate remains unchanged at £A125 10s.

Company Notes

UNITED DRAPERY. The preliminary statement of United Drapery Stores for the year to January 28th is satisfactory in composition and in content. The ordinary dividend for the year, equivalent to 32½ per cent on a capital of £6,932,108 as doubled by the free scrip issue, is well up to expectations, and it compares with the 1954-55 dividend of 50 per cent on a capital of £2,946,054. On this dividend the 5s. shares at 22s. 6d. yield 7.2 per cent. The group's trading profits rose from £4,550,778 to £6,091,144, and although the latest profit includes for the first time the earnings of Alexandre the increase cannot be wholly attributed to the acquisition of this new subsidiary. The preliminary statement also includes a draft balance sheet, showing that the revaluation of the group's properties, excluding leaseholds valued at £2,038,000 which expire before 2000, has resulted in a surplus over book values of £4,076,134. Sensibly £3,360,042 of this surplus has been used to write down goodwill to £1. As a result the net assets of the group are shown at £21,364,889, compared with £13,350,094 at the end of January, 1955.

The company in 1955 was discussed in *The Economist* of March 24th. The full accounts show that profits for the year, after depreciation but before taxation, fell from £19.3 million to £17.9 million. Of this nearly £11 million (£3.5 million in depreciation and £7.4 million in reserves) was put straight back into the business. These retentions and the running up of trade creditors (from £21.5 million to £28.2 million) enabled the group not only to spend £9.5 million on fixed capital but also to add £5.3 million to stocks and work in progress and about £2 million to liquid assets. Total liquid assets at the end of last year came to just over £47 million but during the year the directors, attracted by high interest rates, switched out of cash and tax reserve certificates into British and Irish Government securities, and British and American treasury bills.

The company has to keep a high proportion of its assets in liquid form to meet the costs of capital development and it is sound sense to make these assets earn their keep in the most profitable directions. Twelve months ago the chairman said the company's expansion programme would cost about £60 million in the next few years. The company was already rich in liquid assets and it has been estimated

that it needs to hold back about a further £7 million a year in depreciation and reserves to finance its development programme. That was achieved easily last year; it should be achieved again this year though, perhaps, with less ease. But outstanding capital commitments are estimated at nearly £16 million, compared

	Years to Dec. 31, 1954	1955
Sales and earnings —		
Total sales, etc.	127,310,000	151,548,000
Purchases	72,181,000	92,854,000
Wages, etc.	28,167,000	33,502,000
Other expenses	7,616,000	8,484,000
Taxation	9,453,000	7,506,000
Net dividends	1,683,000	1,808,000
Retained profits	8,210,000	7,394,000
Cons. balance sheet —		
Net fixed assets	24,093,011	29,935,516
Net current assets	38,290,388	38,526,953
Stocks	18,686,133	23,965,566
Govt. securities	13,472,736	24,718,892
Tax res. certificates	14,762,650	6,164,575
Treasury bills	8,966,776	13,627,910
Cash	7,851,283	2,604,871
Trade creditors, etc.	21,465,047	28,220,831
Revenue reserves	9,369,345	16,763,415
Capital reserves	21,425,078	1,912,954
Ordinary capital	15,512,124	35,024,248

£1 ordinary share at 32s. 9d. x d. yields £4 11s. per cent.

with £4.3 million at the end of 1954, and the inference must be that Ford Motor will have to draw upon its liquid assets this year to keep up the present rate of capital expansion. The moral from this and the decline in profits for ordinary shareholders is obvious. Last year they had to be content with an effectively unchanged dividend. Dividends will have to be conservative for some time ahead.

FORD MOTOR. The decline in the profit margins of the Ford Motor Com-

ALBRIGHT AND WILSON. Traditionally the chemical industry works on low profit margins on its established basic products. The report from Monsanto Chemicals suggested that though sales were still rising these margins were being squeezed last year. The preliminary statement from Albright and Wilson confirms the impression. Six months ago, in the half yearly statement, the directors of Albright and Wilson looked forward to "a further expansion of turnover" but then drew attention to "mounting costs." Their latest statement, showing that gross trading profits advanced only from £3,133,575 to £3,199,914 over the whole of 1955, strongly suggests that higher costs did indeed trim profits.

The fall in profit margins, rather than the decline in net earnings from £881,616 to £780,551, is the significant fact for ordinary shareholders. They will receive, as foreshadowed in November when the company bought Marchon Products and made a rights issue, a dividend of 18 per cent, compared with the equivalent of 15 per cent, for 1955. The new shares issued as rights do not rank this time. In the coming year dividends on the present £4,563,639 of capital will be payable. Earnings from Marchon Products and Solway Chemicals will also be brought into account. On the assumption that those two facts together with the squeeze on profit margins point to the maintenance of the 18 per cent dividend, the 5s. ordinary shares at 18s. 10d. yield 4½ per cent.

REYROLLE. The preliminary report of Reyrolle, the electrical engineers, for the year to December 31st is sketchy. But the brief news it contains should please shareholders. Gross trading profits appear to have risen for taxation is up from £1,519,294 to £1,690,587 and the net profit after tax has gone up from £1,647,017 to £1,986,296. The latest net profit includes a special credit of £232,372, representing a surplus arising from a revision of the basis of valuing work in progress made at the request of the Inland Revenue.

That Reyrolle has enjoyed another good

year of trading seems to be confirmed by the decision to raise the ordinary dividend from 15 to 16½ per cent. The announcement sent the market price of the £1 stock units up to 92s. xd. The yield as is usual in companies with atomic interests is low. At only 3½ per cent it is slender enough even allowing for the big earnings cover.

BRITISH OXYGEN. The consolidated balance sheet of British Oxygen Company was drawn up to September 30th, only two months after the rights issue of ordinary shares had brought £8,117,698 into the company's coffers. The injection of new money has raised the issued ordinary capital from £8,117,698 to £11,364,777 and the share premium account from £1,977,476 to £6,718,863. The first purpose of the new issue has been accomplished with the repayment of the £4 million of 3½ per cent unsecured loan stock. The rest of the new money was needed to finance capital developments but at the date of the balance sheet it was still largely held in liquid assets. Over the year the total of cash, treasury bills and tax reserve certificates rose from £3,458,565 to £5,097,236. This money will soon be absorbed for outstanding capital commitments on September 30th were estimated at £4,300,000.

New money was needed if British Oxygen was to keep up the pace of capital development. In the year to September 30th the gross book value of fixed assets increased from £36,165,726 to £40,063,035 and their net book value from £20,585,116 to £22,917,132, absorbing the money the company was able to tuck away in depreciation and reserves. At the same time the need for working capital grew, with stocks and work in progress rising from £7,757,515 to £9,461,399.

Another aspect of the growth of the share premium account and of other reserves is the decision to make a 50 per cent free scrip issue. On the assumption that the 15 per cent ordinary dividend will be reduced in proportion to this issue, the £1 ordinary stock units at the current price of 56s. 6d. ex-dividend, but not yet ex-bonus, yield 5.3 per cent.

LONDON STOCK EXCHANGE

Next Account begins: April 18th
Next Contango Day: April 18th
Next Settlement Day: April 10th

THE improvement in gilt-edged prices has been maintained since Easter by the recent strength of sterling, reinforced on Wednesday by the disclosure of a further rise in the gold and dollar reserves. War Loan rose to 74½ and on Thursday Old Consols gained ½ to 54. The new 5 per cent Surrey stock, issued at par, fell to a discount of ½ on Wednesday, while the similar 5 per cent Edinburgh stock, issued 10s. per cent cheaper, eased to ½ premium.

Berlin bonds rose rapidly to 106½ on hopes of a settlement, and the new Peruvian Transport scrips all advanced in early dealings. The 5 per cent convertible debentures reached \$195½ before receding to \$192½. Insurance shares responded to the announcement of higher dividends; Equity and Law Life jumped 1½ to 5½ and Alliance rose to 76s. 3d. and Legal and General advanced to 22. Stores improved with GUS "A" rising to 37s. Dealings in industrial shares on Thursday reflected the greater optimism which followed the announcement of the gold reserve figures. Associated Portland Cement gained another 4½d. to 94s. 10½d., Rolls Royce 3d. to 95s. 3d. International Nickel were firm at \$168½ and Turner & Newall at 102s. 9d., Unilever at 73s. 9d. and Borax after the exceptional rise to 9½, all found support.

The oil market under the influence of substantial American buying proved the greatest attraction of the week. Originally the sharp rise in Shell dominated the market, but on Tuesday British Petroleum rose 10s., carrying with it Burmah which advanced 4s. 1½d. The market turned dull again on Wednesday but in early dealings on Thursday Shell rose 2s. 3d. to 149s. and British Petroleum and Burmah were firm at 115s. and 72s. 6d. respectively. Hudsons Bay rose 3s. 6d. on Thursday. Coppers failed to hold their recent gains; Nchanga fell ½ on Wednesday to 15½ and Rhokana lost ½ to 41½. Kafirs also turned dull, Vaal Reefs losing 9d. to 30s. 1½d. Tea shares have had a steady rise.

LONDON ACTIVE SECURITIES

Prices, Jan. 1 to April 4, 1956		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Mar. 28, 1956	Price, April 4, 1956	Yield, April 4, 1956	Gross Yield, April 4, 1956	Prices, Jan. 1 to April 4, 1956		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Mar. 28, 1956	Price, April 4, 1956	Yield, April 4, 1956
High	Low							High	Low						
98½	97	Funding 2½% '52-57	97½	97½	97½	4 s. d.	4 s. d.	39/9	29/6	4 a	STEEL & ENGINEERING		30/7½	31/-	6 s. d.
99½	98½	War Bonds 2½% '54-56	99½	99½	99½	3 7 11	4 17 11	13/-	9/4½	10½b	6 B.S.A. £1		10/3	10/9	6 10 3
95½	93½	War Loan 3% '55-59	94½	94½	94½	3 11 0	4 17 3½	40/1½	36/3	3 a	3½a Cammell Laird 5/-		38/1½	38/-	5 15 9
100½	99½	Exchequer 5% 1957	100½	100½	100½	2 13 5	4 18 10	33/10½	28/-	8 c	8 Colvilles £1		31/-	31/-	5 3 3
99½	97½	Conversion 4% '57-58	97½	97½	97½	3 2 0	5 1 6½	53/7½	40/-	20 c	3½a Guest Keen N'fold £1		43/9	44/6	4 9 11m
96½	95½	Serial Funding 2½% 1957	96½	96½	96½	3 7 10	4 12 4	75/-	61/-	5 a	12½b Stewarts & Lloyds £1		67/6	67/6	5 3 8
93½	91	Conv. 2% 1958-59	92½	92½	92½	3 19 5	4 18 0	49/9	40/6	4 a	8 b Summers (John) £1		41/9	42/-	5 14 3
90½	88½	Exchequer 2% 1960	89½	89½	89½	3 12 0	4 19 2	42/1½	32/4½	6 b	8½b United Steel £1		44/-	44/-	5 13 8
94½	92½	Exchequer 3% 1960	93½	93½	93½	3 15 4	5 4 11				2½a Vickers £1		39/-	39/3	4 6 7
88½	83½	Savings Bonds 3% '55-65	84½	84½	84½	3 15 1	4 17 7	24/6	19/10½	4 a	6 b Bradford Dyers £1		22/9	22/-	9 1 10
91½	88½	Funding 2½% '56-61	89½	89½	89½	3 15 5	5 4 7½	23/7½	19/10½	7 b	3 a Brit. Celanese £1		20/7½	20/9	9 12 9
82½	78½	Funding 3% '59-69	78½	78½	78½	5 12 7	7 8 6½	25/10½	21/9	6½b	2½a Coats (J. & P.) £1		22/-	22/3	7 17 4
92½	87½	Funding 4% '60-90	87½	87½	87½	3 14 3	5 4 11	49/-	35/9	6 b	4 a Courtaulds £1		38/-	38/3	5 4 7
81½	76½	Savings Bonds 3% '60-70	78½	78½	78½	3 13 3	5 2 2½	30/-	25/3	5 a	7½b Lancs. Cotton £1		26/3	25/9	9 14 2
91½	88½	Exchequer 3% '62-63	88½	88½	88½	3 15 11	5 0 10½	31/7½	26/9	10 b	2½a Patons & Baldwins £1		28/6	28/6	8 15 5
86½	83½	Exchequer 2½% '63-64	84½	84½	84½	3 17 6	5 1 9				MOTOR & AIRCRAFT				
81½	76½	Savings Bonds 3% '64-67	77½	77½	77½	3 9 8	5 0 4½	21/9½	17/7½	6½b	3½a Bristol Aeroplane 10/-		18/7½	19/-	5 5 3
79½	73½	Savings Bonds 3% '65-75	75½	75½	75½	3 2 2	4 18 5½	9/-	6/10½	4 a	8½b British Motor 5/-		7/-	7/1½	8 15 5
86½	81½	Victory 4% '20-76	80½	80½	80½	3 14 6	5 4 0½	25/9	19/7½	7½c	Nil c De Havilland £1		19/9	20/-	Nil
83½	78½	Funding 3% '66-68	80½	80½	80½	3 9 8	5 2 9	44/3	32/0	2½a	5 b Ford Motor £1		33/-	32/6	4 12 4
88½	83½	Conv. 3½% 1969	84½	84½	84½	3 4 10	5 0 1½	40/3	32/1½	5 a	12½b Hawker Siddeley £1		34/4½	35/6	4 18 7½
83½	78½	Treas. 3½% '77-80	79½	79½	79½	3 1 1	4 14 2½	44/4½	38/3	10 c	12½c Leyland Motors £1		43/6	42/6	5 17 8
84½	78½	Treas. 3½% '79-81	79½	79½	79½	3 1 1	4 13 4½	80/1½	85/6	5 a	12½b Rolls-Royce £1		92/3½	92/6	3 15 8
72½	67½	Redemption 3% '86-96	68½	68½	68½	2 17 1	4 13 4½	80/1½	6½	12 c	12 c Standard Motor 5/-		6/4½	6/6	9 4 7
81½	76½	Funding 3½% 1999-2004	78½	78½	78½	2 17 2	4 13 4½				SHOPS & STORES				
84½	78½	Consols 4% aft. Feb. '57	80½	80½	80½	2 14 7	4 15 7½	18/10½	14/6	17½b	6 a Boots Pure Drug 5/-		16/-	16/3	4 4 8½
77½	70	War L'n 3½% aft. Dec. '52	73½	74½	74½	2 15 11	4 17 2½	35/10½	29/-	20 b	7½a Debenhams 10/-		32/-	32/-	8 11 10
76½	70	Conv. 3½% aft. April '61	71½	72½	72½	2 14 9	4 15 3½	43/3	32/9	45 b	15 a Gt. Universal 5/-		38/1½	40/-	7 10 0
66½	61	Treas. 3% aft. April '66	62½	63	63	2 13 4	4 12 10½	94/3	79/-	17½b	5 a Lyons (J.) 'A' £1		86/3	86/3	5 4 4
56½	52	Consols 2½%	53½	53½	53½	2 13 8	4 13 4½	70/1½	57/10½	30 b	17½a Marks & Spen. 'A' 5/-		61/1½	62/9	3 15 8
56½	51½	Treas. 2½% aft. April '75	53½	53½	53½	3 2 10	5 3 2½	64/10½	56/-	20 a	36½b Woolworth 5/-		57/6	58/9	4 16 5
98½	93½	Br. Elec. 4½% '67-69	94½	94½	94½	3 11 11	5 2 0½				OIL				
80½	75½	Br. Elec. 3% '68-73	76½	76½	76½	3 8 8	4 19 4½	116/-	99/-	14 b	15 a British Petroleum £1		103/9	115/-	2 12 2½
79½	73½	Br. Elec. 4½% '74-79	74½	74½	74½	3 2 3	5 1 4½	76/6	63/-	10½c	5 a Burmah £1		66/10½	72/6	2 17 11
95½	88½	Br. Elec. 4½% '76-79	89½	89½	89½	3 4 11	5 0 3½	170	158	10 b	6 a Royal Dutch 100 fl.		147/1½	147/6	2 3 7
90½	85½	Br. Gas 4% '69-72	87½	87½	87½	3 7 0	5 4 2½	151/-	129/-	110 b	15 a Shell Reg. £1		145/7½	147/6	3 10 9
87½	82	Br. Gas 3½% '69-71	82½	83	83	3 9 1	5 2 7½	37/6	31/10½	15 a	116½b Trinidad L'holds 5/-		36/-	36/-	4 6 11½
73½	68½	Br. Gas 3% '90-95	68½	69½	69½	3 1 2	4 13 10½				SHIPPING				
80½	75½	Br. Trans. 3% '68-73	76½	76½	76½	3 11 11	5 2 0½	27/-	23/3	7 b	2½a Cunard £1		26/3	26/-	7 10 0
90½	85½	Br. Trans. 4% '72-77	87½	87½	87½	3 3 4	5 1 6½	54/-	48/-	12 c	14 c Furness Withy £1		50/-	50/6	5 10 11
73½	67	Br. Trans. 3% '78-88	70½	70½	70½	3 4 1	4 16 10½	35/9	29/-	3 a	5 b P. & O. Def. £1		30/6	30/-	5 6 8

(e) To earliest date. (f) Flat yield. (g) To latest date. * Ex dividend.
† Assumed average life average. 11 years. ‡ Less tax at 8s. 6d. in £.

Prices, 1955		Prices, Jan. 1 to Apr. 4, 1956		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Mar. 28, 1956	Price, April 4, 1956	Yield, April 4, 1956
High	Low	High	Low					
94½	79	80½	77½	Aust. 3½% '65-69	78½	80½	4 s. d.	4 s. d.
101½	87	87½	83½	Ceylon 4% '73-75	84½	83½	5 8 6½	5 8 6½
103½	87½	88	85	N. Zealand 4% '76-78	85½	85½	5 2 10½	5 2 10½
88	87½	64½	57½	L.C.C. 3% aft. 1920	60½	61	4 18 4	4 18 4
99	83	85½	84½	Liverpool 3% '54-64	85	84½	5 10 7½	5 10 7½
84	65	68½	63	M.W.R. 'B' 3% '34-2003	65	65½	4 19 0½	4 19 0½
102½	94½	97	94½	Agric. Mort. 5% '59-89	95	95½	5 5 9½	5 5 9½
122½	91	112½	102½	German 7% 1924	104½	104½	...	...
213	149	199½	187	German 5½% 1930	187½	199½	...	...
212	160	217½	208	Japan 5% 1907	216½	217	...	...
254	190	257½	247½	Japan 5½% Conv. 1930	257	257	...	...

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100)					Average Yields (per cent)				
	Mar. 29, 1955	Dec. 28, 1955	Jan. 31, 1956	Feb. 28, 1956	Mar. 27, 1956	Mar. 29, 1955	Dec. 28, 1955	Jan. 31, 1956	Feb. 28, 1956	Mar. 27, 1956
Ordinary Shares :—										
Electrical engineering...	143.2	158.2	148.4	134.3	135.9	4.82	4.58	4.87	5.40	5.35
Engineering	169.8	188.3	177.3	165.9	164.4	4.47	4.39	4.66	4.96	5.03
Motors and aircraft	170.4	189.5	174.0	165.1	158.4	5.20	4.57	4.94	5.31	5.56
Chain stores	252.6	274.3	255.6	247.6	247.4	3.62	3.70	4.25	4.38	4.39
Cotton textiles	108.1	102.9	104.6	101.2	100.5	8.03	8.86	8.64	9.03	9.05
Chemicals	184.6	208.4	199.7	191.9	186.5	4.29	4.54	4.75	4.93	5.08
Oil	187.8	235.6	228.8	226.4	242.5	5.91	5.30	5.43	5.47	5.12
Shipping	155.4	174.0	176.6	168.0	168.1	5.16	5.01	5.02	5.62	5.75
Investment trusts	195.8	226.0	217.7	203.3	207.3	4.62	4.49	4.69	5.25	5.16
Industrials :—										
Ordinary (all classes) ...	146.5	154.5	147.1	139.5	138.9	5.58	5.64	5.90	6.25	6.31
Preference	89.4	81.3	80.4	76.3	77.1	5.10	5.61	5.68	5.98	5.92
Debenture	85.4	76.7	75.9	72.6	72.4	4.82	5.36	5.42	5.66	5.66
Total (capital goods).....	161.7	179.0	168.2	156.5	154.6	6.96	4.74	5.03	5.44	5.50
Total (consumption goods).	130.6	127.6	122.1	115.9	113.9	6.14	6.44	6.69	7.08	7.23
Consols 2½%	89.4	79.6	78.0	77.8	75.4	3.96	4.45	4.54	4.55	4.70

Statistics

This section contains a number of the regular statistical tables (listed below) which have been unable to appear in recent weeks because of the printing difficulties. Wherever practicable back figures have been included. The remaining tables will appear in the course of the next two weeks.

BRITISH		OVERSEAS	
External Trade	Page 76	Western Europe:	Page 79
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UK External Trade

Imports are valued c.i.f. exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages			1954	1955				1956	
		1953	1954	1955	Dec.	Jan.	Feb.	Nov.	Dec.	Jan.	Feb.
VALUE											
Imports :											
Total	£ million	278.6	281.2	324.1	313.5	332.3	309.5	341.5	335.9	346.3	309.1
Food, drink and tobacco	"	109.6	110.5	120.1	130.1	135.9	125.4	126.4	123.9	126.7	116.5
Basic materials	"	87.9	85.4	93.8	89.7	94.0	83.9	98.3	94.2	99.6	83.6
Mineral fuels and lubricants	"	26.1	27.4	34.1	27.4	30.7	29.4	35.9	36.6	36.1	34.2
Manufactures	"	53.6	56.6	74.8	65.2	70.3	69.6	79.7	79.7	81.7	73.9
Exports of UK produce :											
Total	"	215.2	222.9	242.1	255.8	248.6	232.8	262.2	253.7	257.9	246.1
Manufactures	"	174.9	181.0	198.9	208.2	203.9	191.0	214.3	206.0	212.2	202.6
Re-exports	"	8.8	8.4	9.9	8.6	10.3	9.0	10.0	10.7	14.2	13.5
Balance of trade (exports less imports) ..	"	- 54.6	- 49.9	- 72.1	- 49.1	- 73.4	- 67.7	- 69.3	- 71.5	- 74.2	- 49.5
VOLUME											
Imports	1954=100	99	100	112	...	...	114	118	111	119	...
Exports	"	96	100	107	...	...	111	115	111	112	...
BY AREA											
Imports :											
Dollar area—total	£ million	52.9	51.6	70.2	71.3	66.1	62.6	77.4	73.1	69.9	69.8
" USA	"	21.1	23.6	35.1	33.0	36.5	32.7	42.5	37.0	37.8	34.0
" Canada	"	25.5	22.7	28.6	33.2	25.8	24.7	29.0	29.3	26.4	26.3
Non-sterling OEEC countries	"	64.0	68.2	79.6	72.7	78.4	71.7	90.1	81.1	90.1	74.3
Sterling area	"	125.3	125.1	131.1	130.1	148.3	132.3	124.3	137.7	137.2	123.5
Exports :											
Dollar area—total	"	33.7	31.3	34.8	35.7	31.0	29.6	35.5	39.4	34.5	41.6
" USA	"	14.3	13.3	16.6	16.3	14.5	13.1	16.5	20.6	17.2	19.6
" Canada	"	13.4	11.3	12.1	11.8	9.3	9.9	12.7	13.1	10.3	11.7
Non-sterling OEEC countries	"	62.2	64.7	68.1	69.9	70.7	66.6	76.8	71.3	68.6	64.8
Sterling area	"	105.8	112.3	120.9	128.1	128.4	119.6	129.9	120.6	130.7	120.4
Balance of trade (exports less imports) :											
Dollar area	"	- 19.2	- 20.3	- 35.4	- 35.6	- 35.1	- 33.0	- 41.9	- 33.7	- 35.4	- 28.2
Non-sterling OEEC countries	"	- 1.8	- 3.5	- 11.5	- 2.8	- 7.7	- 5.1	- 13.3	- 9.8	- 21.5	- 9.5
Sterling area	"	- 19.5	- 12.8	- 10.2	- 2.0	- 19.9	- 12.7	+ 5.6	- 17.1	- 6.5	- 3.1
TRADE IN SELECTED COMMODITIES											
Imports :											
Wheat	'000 tons	335.0	288.6	375.4	371.1	438.3	407.9	319.4	368.7	348.0	422.5
Meat	"	63.1	56.3	67.1	48.2	74.8	73.7	73.7	89.5	99.9	67.9
Sugar, unrefined	"	247.4	201.2	186.6	137.8	133.0	135.4	169.1	185.4	171.8	247.9
Raw cotton ⁽¹⁾	"	27.5	30.8	24.2	33.4	25.4	30.0	24.4	24.8	27.1	22.7
Raw wool, sheep's and lambs' ⁽¹⁾	mn. lb.	63.2	51.6	55.3	48.4	69.3	62.7	49.2	60.9	84.2	56.2
Rubber, natural and synthetic ⁽¹⁾	'000 tons	18.4	20.6	24.6	26.5	26.8	26.6	25.0	31.8	20.6	23.8
Softwood	'000 stds.	119.1	122.0	140.6	127.3	124.1	87.2	171.2	110.5	88.4	55.2
Woodpulp	'000 tons	133.7	159.8	187.0	195.6	205.6	183.1	196.1	171.8	200.5	134.2
Crude petroleum	mn. galls.	558	606	615	605	614	575	568	636	598	640
Exports of UK produce :											
Coal, including bunkers	'000 tons	1,400	1,351	1,196	1,140	1,261	1,069	1,341	1,357	914	856
Woven piece-goods—cotton	mn. sq. yds.	59	53	46	58	60	52	47	39	41	39
" " wool	'000 sq. yds.	8,710	8,204	8,963	9,847	9,638	9,212	9,278	8,790	9,097	8,545
Passenger cars and chassis	number	25,181	30,487	31,100	32,523	36,229	34,085	27,757	25,833	28,465	24,271
Commercial vehicles and chassis	"	9,196	10,525	13,121	13,971	13,968	12,952	12,868	12,514	14,761	12,666
Agricultural tractors	"	7,507	8,908	8,720	8,774	8,915	9,637	6,544	6,972	8,630	8,249
Machinery—electrical	£'000	5,023	4,923	5,163	5,738	6,330	4,925	5,419	5,059	6,426	4,869
" other	"	30,145	30,553	34,669	35,773	35,852	32,824	37,018	37,517	39,751	35,911
Chemicals, elements and compounds	"	3,968	4,214	4,419	4,636	4,695	4,695	4,404	4,417	4,602	5,190

(1) Retained imports. (2) Average for first quarter.

Prices and Wages

		1956										
		Unit	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31	Feb. 7	Feb. 14	Feb. 21	Feb. 28	Mar. 6
WORLD PRICES												
Commodity Price Indicator: (1)												
All items	1952=100	96	95	94	95	94	95	95	95	95	96	97
Food	"	89.4	90.1	89.4	88.4	87.3	89.3	90.1	91.0	91.4	92.2	
Fibres	"	80.7	82.5	81.9	82.5	82.9	84.3	83.3	82.2	82.6	83.3	
Metals	"	109.8	107.0	106.0	108.8	107.2	106.5	108.4	109.7	112.0	113.8	
Other items	"	110.7	107.6	104.6	103.5	104.8	105.0	103.9	101.9	100.4	101.7	
		1953	1954	1955	1955			1956				
		mid-June			Mar. 22	Mar. 29	April 5	Mar. 13	Mar. 20	Mar. 27	April 3	
All items	1952=100	89	99	93	96	96	95	96	95	94	93	
Food	"	93.2	119.6	92.0	100.9	100.1	98.0	91.4	90.3	89.9	89.0	
Fibres	"	87.0	88.7	83.2	85.3	85.5	85.4	82.4	82.2	81.9	82.0	
Metals	"	80.0	81.5	95.7	97.5	97.3	96.2	111.8	111.7	106.1	107.4	
Other items	"	95.9	93.5	106.9	98.8	99.2	99.6	102.3	101.7	99.7	98.7	
		Monthly averages			1954	1955				1956		
		1953	1954	1955	Dec.	Jan.	Feb.	Nov.	Dec.	Jan.	Feb.	
Old series:	1938=100	323.4	325.4	335.5	330.7	332.6	333.6	343.3	343.8	...	...	
All articles	"	315.9	314.6	316.2	322.2	322.3	318.5	326.5	325.0	...	...	
Food and tobacco	June 30, 1949=100	145.8	143.5	152.4	146.4	149.1	152.2	153.1	155.3	154.7	154.6	
Materials used in:	"	145.7	150.4	168.1	155.8	159.0	163.9	174.6	176.1	176.0	175.6	
Non-food manufacturing	"	155.2	160.5	185.7	168.3	173.4	183.2	192.8	195.8	196.0	196.2	
Mechanical engineering	"	130.4	131.4	137.3	133.5	134.2	135.0	139.8	140.5	141.1	141.2	
Electrical machinery	"	128.7	130.7	137.1	133.1	133.7	134.2	139.7	140.3	140.9	141.1	
Building and civil engineering	"	140.6	155.0	149.7	157.4	158.1	157.9	138.2	139.1	137.0	142.7	
House building	"	171.1	160.8	142.0	146.6	146.9	151.3	131.2	134.5	135.8	134.1	
Commodities:	"	199.1	197.9	329.9	250.8	289.0	290.2	350.9	371.5	339.9	302.0	
Cotton, raw (2)	"	144.1	145.0	154.9	152.0	153.6	153.9	156.3	156.3	156.5	156.1	
Wool, raw	"	217.6	213.4	295.7	240.8	260.0	294.0	319.7	330.4	328.5	336.0	
Rubber, No. 1 RSS, one month future	"											
Softwood, imported	"											
Copper, ex-warehouse (2)	"											
UK RETAIL PRICES												
Interim index:												
All items	June 17, 1947=100	140	143	149	145	146	146	154	154	153	153	
Food	Jan. 15, 1952=100	105.8	107.7	112.6	109.8	110.2	110.2	116.2	116.2	115.8	100.0	
Non-food	"	111.3	114.2	122.8	118.2	119.2	118.8	128.0	127.1	125.4	99.6	
All items	1938=100	228	232	242	236	237	237	250	250	249	249	
Food	"	233	239	257	248	250	249	268	266	263	262	
Rent and rates	"	129	134	138	136	136	136	140	140	141	142	
Clothing	"	253	255	256	254	253	255	258	260	261	262	
Fuel and light	"	207	216	228	222	223	223	244	247	248	248	
Household durable goods	"	286	284	288	283	284	284	300	303	305	305	
Drink	"	256	257	260	260	260	260	261	261	261	261	
Tobacco	"	387	387	389	387	387	387	397	397	397	397	
Purchasing power of £ (based on all consumer spending)	1938=100	42	41	39	40	40	40	38	38	38	38	
UK TERMS OF TRADE												
Import prices:												
All items	1954=100	101	100	103	103	104	105	104	105	105	105	
Food, drink and tobacco	"	97	100	101	105	105	105	100	101	101	100	
Basic materials	"	103	100	104	101	102	103	104	105	105	105	
Export prices:												
All items	"	101	100	102	100	100	101	103	104	104	105	
All manufactures	"	101	100	102	100	100	101	104	105	104	105	
Metals	"	105	100	104	99	98	100	107	109	110	110	
Engineering products	"	100	100	103	100	101	101	105	105	105	104	
Textiles (excluding clothing)	"	99	100	100	97	98	100	98	98	98	100	
Terms of trade:												
Ratio of import to export prices.....	"	100	100	101	103	104	104	101	101	101	100	
SHIPPING FREIGHTS												
Tramp shipping freights (fixed in sterling)												
	1952=100	77.5	86.1	127.7	115.5	115.1	119.8	135.5	140.1	144.3	140.2	
UK WAGES												
Weekly wage rates:												
All workers	June 30, 1947=100	136	142	151	144	146	147	154	154	156	157	
Men	"	134	140	150	142	144	145	152	152	154	155	
Women	"	140	146	155	148	151	151	157	158	159	160	
Weekly earnings: (2)												
All workers	s. d.	160 1	171 9	187 2	...	...	...	...	...	...	...	
Men	"	189 2	204 5	222 11	...	...	...	...	...	...	...	
Women	"	102 5	108 2	115 5	...	...	...	...	...	...	...	
Oct., 1938=100												
All workers	"	301	323	351	...	...	...	...	...	...	...	
Men	"	274	296	323	...	...	...	...	...	...	...	
Women	"	315	333	355	...	...	...	...	...	...	...	

UK Production and Consumption

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

		Unit	Monthly averages			1954	1955				1956	
			1953	1954	1955	Dec.	Jan.	Feb.	Nov.	Dec.	Jan.	Feb.
INDUSTRIAL PRODUCTION												
Index:												
All industries.....		1948=100	121	130	136	131	135	140	146	137	141	142
Mining and quarrying.....		"	109	110	108	107	114	117	119	110	113	114
Building and contracting.....		"	111	115	116	116	110	110	110	110	110	110
Gas, electricity and water.....		"	134	145	154	164	177	179	173	174	183	183
Manufacturing, total.....		"	123	133	141	135	139	144	151	141	145	145
Engineering, shipbuilding, electrical goods.....		"	129	140	141	150	151	157	157	157	157	157
Vehicles.....		"	138	155	155	162	165	169	177	177	177	177
Chemical trades.....		"	153	168	168	166	183	185	185	185	185	185
Textiles and clothing.....		"	114	116	116	106	118	126	123	123	123	123
Food, drink and tobacco.....		"	114	116	116	115	106	111	124	124	124	124
BASIC MATERIALS												
Production of:												
Coal (°) (°).....	W	'000 tons	4,300	4,298	4,250	4,132	4,408	4,518	4,673	4,282	4,411	4,411
Pig-iron.....	W	"	215	229	240	234	236	242	253	251	261	261
Steel, ingots and castings.....	W	"	339	356	381	355	381	394	409	382	405	405
Sulphuric acid.....	M	"	156.3	170.2	174.6	181.3	183.9	167.3	177.6	188.6	188.6	188.6
Newsprint.....	W	mn. kwh	11.60	11.77	11.91	11.62	12.21	13.21	13.20	11.84	11.84	11.84
Electricity (°).....	M	"	5,459	6,075	6,679	7,354	7,988	7,299	7,589	8,098	8,588	8,588
MANUFACTURING												
Textile production:												
Cotton yarn, single.....	W	mn. lb.	17.97	19.17	16.91	18.25	19.10	19.43	17.98	15.96	17.19	17.19
Worsted yarn.....	M	"	18.40	18.80	18.48	18.46	18.43	17.77	21.90	18.47	18.47	18.47
Rayon and synthetic fibres, total.....	M	"	34.94	37.30	39.32	36.04	38.18	37.09	40.88	40.40	43.39	43.39
staple fibre.....	M	"	16.85	19.00	19.94	17.97	19.25	19.00	20.49	20.52	21.72	21.72
Cotton cloth, woven.....	W	mn. yds.	35.2	38.3	34.3	36.6	39.3	40.7	34.2	30.2	32.8	32.8
Wool fabrics, woven.....	M	mn. sq. yds.	34.3	34.5	34.2	34.9	37.5	34.8	39.0	32.7	32.7	32.7
Engineering production:												
Passenger cars and chassis.....	W	'000s	11.44	14.51	17.26	15.20	17.29	17.92	18.81	17.27	17.92	17.92
Commercial vehicles and chassis.....	W	"	4.61	5.09	6.53	5.58	6.33	6.60	7.37	6.62	7.42	7.42
Metal-working machine tools.....	M	'000 tons	12.63	11.39	11.39	13.62	11.10	11.48	13.46	13.46	13.46	13.46
Internal combustion engines.....	M	'000 BHP	311	356	408	516	381	377	454	433	433	433
BUILDING ACTIVITY												
Permanent houses completed: (°)												
Total.....	M	'000s	26.56	28.97	26.42	30.66	20.97	23.35	27.87	28.45	21.27	21.27
For private owners.....	M	"	5.24	7.55	9.46	8.77	6.76	6.71	10.96	11.06	8.57	8.57
For local housing authorities.....	M	"	19.91	19.58	15.98	20.20	13.37	15.63	16.06	16.47	11.79	11.79
Other.....	M	"	1.41	1.83	0.98	1.70	0.84	1.01	0.85	0.93	0.91	0.91
WHOLESALE SALES (°)												
Textile houses:												
Total home sales.....		Av. value 1950=100	95	95	98	94	56	86	130	99	59	59
Women's and children's wear.....		"	96	96	98	90	56	90	122	93	57	57
Men's and boys' wear.....		"	91	90	94	94	52	70	132	104	56	56
Piece-goods.....		"	66	63	62	52	40	77	65	54	54	54
RETAIL SALES (°)												
Large retailers:												
All merchandise.....		Weekly av. value 1950=100	124	132	142	179	127	122	155	190	135	135
Clothing and footwear.....		"	113	125	135	200	105	92	151	213	112	112
Household goods.....		"	110	125	135	160	128	117	161	159	134	134
Independent retailers:												
Clothing and footwear.....		"	...	...	113	...	102	83	120	157	107	107
Household goods.....		"	...	...	146	...	136	129	176	178	141	141
STOCKS												
Basic materials:												
Coal, distributed (°).....		'000 tons	17,626	15,682	18,344	15,682	12,888	11,387	19,648	18,344	16,760	14,444
Steel.....		"	1,112	899	1,280	899	896	879	1,249	1,280	1,280	1,280
Copper (°).....		"	55.3	61.5	76.2	61.5	62.8	70.2	77.8	76.2	76.2	76.2
Sulphur.....		"	66.8	67.2	85.2	67.2	77.1	61.3	87.9	85.2	85.2	85.2
Newsprint.....		"	110.6	97.5	105.0	97.5	102.3	100.2	107.5	105.0	105.0	105.0
Textiles:												
Wholesale houses, total (°).....		Av. value 1950=100	89	95	90	95	104	116	97	90	102	102
Large retailers, clothing and footwear (°).....		"	102	107	110	107	99	125	131	110	105	105

(°) Great Britain. (°) Provisional estimate. (°) 1954 figures onwards exclude all screening losses normally amounting to around 5,000 tons a week. (°) Excluding government stocks from August, 1953. (°) Average for fourth quarter. (°) Average for first quarter.

Production and Trade in Western Europe

(NOTE: Index numbers in this table are now changed to 1953=100)

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether- lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION ⁽¹⁾ (1953 = 100)												
1948	54	88	82	79	40	52	70	62	70	70	90	69
1954	114	108	109	109	112	122	102	109	111	106	104	108
1955	...	...	111	120	130	130	...	...	118	111	110	...
1955, August	127	116	113	94	125	130	} 108° {	103	117	105	106	...
" September	141	123	119	119	137	130		124	123	119	116	...
" October	138	118	117	124	141	130		125	124	117	117	...
" November	140	123	118	128	148	132		120	126	120	122	...
" December	...	...	110	128	139	131		...	123	110	116	...
VALUE OF EXTERNAL TRADE ⁽²⁾												
Monthly averages or calendar months	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.
	IMPORTS (c.i.f.)											
1948	243	7,249	285	56.08	264 ^a	152 ^a	11.36	70.36	414	310	413	64.2
1954	1,416	10,561	670	123.11	1,601	825	14.98	127.04	905	606	766	111.6
1955	1,922	...	675	136.74	2,030	...	16.95	140.93	1,016	648	859	116.1
1955, August	1,827	11,194	616	132.95	2,025	913	14.22	126.93	936	583	808	100.4
" September	1,936	11,718	665	124.60	2,123	887	16.19	135.18	1,060	662	874	100.9
" October	2,112	13,003	675	122.59	2,174	907	16.74	141.12	1,047	699	877	127.5
" November	2,192	12,264	714	140.07	2,131	1,003	18.54	152.45	1,145	577	992	107.2
" December	2,357	...	756	176.70	2,452	...	17.60	142.21	1,048	685	909	117.9
EXPORTS (f.o.b.)												
1948	165	6,171	228	36.18	151 ^a	39 ^a	4.11	47.99	226	172	332	45.9
1954	1,321	9,581	546	121.94	1,832	380	9.59	85.33	764	347	683	78.2
1955	1,514	...	599	139.95	2,140	...	...	96.64	851	378	745	73.1
1955, August	1,453	10,317	558	127.09	2,002	179	7.91	99.11	810	370	776	55.5
" September	1,585	11,710	576	114.10	2,120	396	9.84	107.65	990	406	776	62.9
" October	1,746	13,529	635	138.44	2,316	924	10.53	109.17	987	405	857	93.1
" November	1,629	11,811	634	137.54	2,296	1,072	9.39	102.89	972	368	886	85.2
" December	1,773	...	723	201.30	2,713	...	...	100.55	898	391	804	106.4
BALANCE												
1948	- 78	- 1,078	- 57	- 19.90	- 113	- 113	- 7.25	- 22.37	- 188	- 138	- 81	- 18.3
1954	- 95	- 980	- 124	- 1.17	- 231	- 445	- 5.39	- 41.71	- 141	- 259	- 83	- 33.4
1955	- 408	...	- 76	+ 3.21	+ 110	...	...	- 44.29	- 165	- 270	- 114	- 43.0
1955, August	- 374	- 877	- 58	- 5.86	- 23	- 734	- 6.31	- 27.82	- 126	- 213	- 32	- 44.9
" September	- 351	- 8	- 89	- 10.50	- 3	- 491	- 6.35	- 27.53	- 70	- 256	- 98	- 38.0
" October	- 366	+ 526	- 40	+ 15.85	+ 142	+ 17	- 6.21	- 31.95	- 60	- 294	- 20	- 34.4
" November	- 563	- 453	- 80	- 2.53	+ 165	+ 69	- 9.15	- 49.56	- 173	- 209	- 126	- 22.0
" December	- 584	...	- 33	+ 24.60	+ 261	...	...	- 41.66	- 150	- 294	- 105	- 11.5
VOLUME OF EXTERNAL TRADE ⁽²⁾ (1953 = 100)												
IMPORTS												
1948	48	86	59	84	...	...	90	57	64	71	85	46
1954	139	110	121	108	125	...	98	102	126	114	115	99
1955	198	...	...	...	...	...	...	...	...	119	128	...
1955, August	194	111	} 115° {	119	148	...	88	107	129	112	} 119° {	83
" September	202	116		108	151	...	101	103	148	122		83
" October	218	128		108	167	...	102	113	147	128		87
" November	224	...		121	159	...	112	...	160	108		84
" December	242	...		...	184	...	...	...	...	120		...
EXPORTS												
1948	37	69	48	48	...	...	55	66	34	70	69	55
1954	122	109	108	116	124	...	102	108	118	115	110	95
1955	138	...	...	...	142	...	...	...	...	117	115	...
1955, August	129	106	} 115° {	120	133	...	81	121	...	114	} 117° {	55
" September	144	117		108	141	...	100	141	...	125		63
" October	162	136		130	154	...	108	146	...	124		90
" November	149	116		132	151	...	95	...	...	114		82
" December	171	...		...	177	...	...	...	...	112		...

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				
1948.....	1,232	1,255	2,511	1,969	139	5.3	728	3,714	381	204	772
1954.....	1,647	953	3,064	2,404	1,062	21.4	1,206	5,761	627	312	1,220
1955.....	1,606	...	...	2,646	...	...	...	...	702	336	1,368
1955, August.....	1,906	640	3,119	2,770	1,573	24.1	1,468	6,052	709	379	1,471
" September.....	1,797	936	3,378	2,669	1,445	22.9	1,370	6,002	719	357	1,385
" October.....	1,692	1,050	3,086	2,678	1,666	23.3	1,362	6,431	721	348	1,412
" November.....	1,695	1,261	3,097	2,692	...	...	...	6,760	710	329	1,376
" December.....	1,380	...	...	2,785	...	...	...	...	730	324	1,356

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	
1948.....	16.3	17.4	7.9	58.2	4.14	106	238	104	49	73.8	294	965.4
1954.....	19.5	28.8	7.8	48.7	5.93	185	238	140	117	93.2	364	1,102.3
1955.....	21.6	26.4	7.8	53.3	5.89	183	337	...	130	...	379	1,213.7
1955, September.....	22.3	33.1	7.8	56.2	6.55	189	334	136	138	87.8	395	1,246.9
" October.....	22.2	32.3	9.3	54.8	6.25	190	373	131	125	88.4	396	1,249.3
" November.....	22.1	25.7	9.6	52.1	5.49	192	371	134	130	...	388	1,240.6
" December.....	26.1	28.3	11.7	62.2	4.93	193	378	...	124	...	380	1,189.6
1956, January.....	24.2	29.4	9.0	59.1	...	...	...	...	...	...	...	...

EXTERNAL TRADE ⁽³⁾

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa *	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. C\$		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1948.....	28.2	33.8	220	259	537	382	10.71	12.27	28.5	58.6	29.5	11.4
1954.....	56.6	67.9	341	329	544	487	20.43	20.33	97.2	107.2	36.9	26.5
1955.....	70.1	63.4	...	363	...	...	...	...	91.9	101.9	...	...
1955, August.....	71.1	49.1	430	388	464	514	25.3	13.3	94.4	133.8	45.1	28.1
" September.....	74.9	51.9	414	389	512	572	24.0	18.8	107.7	113.8	39.4	32.0
" October.....	68.2	66.0	457	381	519	474	...	16.4	72.3	123.4	...	...
" November.....	73.5	79.4	443	392	627	492	...	18.4	126.9	154.6	...	...
" December.....	63.3	73.4	...	381	594	520	...	...	107.8	194.5	...	...

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					1953 = 100						
1948.....	1,265	1,011	3,355	200	652	56	84	...	74	89	77	73
1954.....	1,133	1,955	1,782	174	416	101	101	95	105	98	102	100
1955.....	829	1,911	1,791	179	368	104	101	...	107	94	105	101
1955, October.....	...	1,905	1,743	219	319	...	101	91	...	96	106	102
" November.....	...	1,900	1,758	191	326	...	101	92	...	96	106	103
" December.....	829	1,911	1,791	179	368	...	101	...	...	94	106	103
1956, January.....	...	1,889	1,782	157	338	...	101	...	...	...	...	103
" February.....	...	1,888	...	...	336	...	...	...	...	...	...	...

⁽¹⁾ Electricity production for New Zealand represents about 87 per cent of total generation. ⁽²⁾ Copper and tin refer to metal production. ⁽³⁾ General trade (including re-exports) except for Canada, which is special trade only. Imports are c.i.f. except for Australia, Canada and S. Africa which are f.o.b.; exports are f.o.b. Trade for India and Pakistan includes that going by land, except for Pakistan in 1948 when figures are for trade by sea and air only; annual figures for India are for 12 months beginning April 1st of year stated and for Australia and Pakistan 12 months ended June 30th. ⁽⁴⁾ Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. ⁽⁵⁾ Including some long-term securities. ⁽⁶⁾ Including semi-processed gold. Beginning January, 1955, including South-West Africa. ⁽⁷⁾ In July, 1948, part of holdings was transferred to the State Bank of Pakistan. ⁽⁸⁾ April, 1948—March, 1949.

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 1955 prices
	1947-49=100						1948=100			1939=100	\$	
1939.....	50.1	36.5	59.4	47.1	52.5	76.1	42	48	88	100.0	23.86	45.97
1954.....	110.3	95.6	114.8	112.6	104.3	119.1	120	101	119	229.8	71.86	71.65
1955.....	110.7	89.6	114.5	110.9	103.7	120.0	119	102	117	304.6	76.52	76.52
1955, October.....	111.6	86.8	114.9	110.8	104.6	120.8	120	103	117	310.2	78.50	78.27
" November.....	111.2	84.1	115.0	109.8	104.7	120.9	120	104	115	328.4	79.52	79.20
" December.....	111.3	82.9	114.7	109.5	104.7	120.8	121	106	114	333.6	79.71	79.55
1956, January.....	111.9	84.1	114.6	109.2	104.1	120.6	...	...	...	325.7	78.36	78.28
" February.....	112.3	86.0	114.6	108.8	104.6	120.7	...	...	...	330.0	78.36	...

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rate \$ billion	Total industrial production	Manufacturing production						Building construction ; seasonally adjusted annual rates \$ billion	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						
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		
1954	360.5	125	137	108	175	116	100	142	37.6	64,468 ¹	61,238 ¹	5.0 ¹		
1955	387.2	139	155	140	203	126	110	159	42.2	65,847 ¹	63,193 ¹	4.0 ¹		
1955, October	397.3	{	143	161	148	208	129	112	162	42.3	67,292 ¹	65,161 ¹	3.2 ¹	
" November			143	161	149	212	130	113	164	42.2	67,206 ¹	64,807 ¹	3.6 ¹	
" December			144	161	150	212	130	112	166	41.9	66,592 ¹	64,165 ¹	3.6 ¹	
1956, January	...	143	160	150	205	129	111	166	41.5	65,775 ¹	62,891 ¹	4.4 ¹		
" February	...	143	159	149	202	129	110	167	41.5	65,491 ¹	62,577 ¹	4.4 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						
1939.....	67.6	10.8	20.1	3.5	5.5	190	62	41	260	139	76	53
1954.....	236.5	46.7	76.9	14.2	22.1	853	200	193	1,247	811	120	119
1955.....	252.3	51.7	82.1	15.5	23.9	945	238	231	1,283	...	134	120
1955, September.....	255.7	53.1	80.0	15.8	23.2	951	255	243	1,240	726	133	116
" October.....	...	52.5	80.9	15.8	23.3	1,013	244	240	1,385	821	142	129
" November.....	267.2	53.2	81.6	15.8	23.6	1,051	248	252	1,299	765	147	120
" December.....	...	53.2	82.1	15.8	23.9	1,006	268	255	1,387	828	140	127
1956, January.....	...	53.0	82.7	15.7	24.1	1,047	...	...	...	...	...	...
" February.....	...	...	...	15.3	...	...	...	...	...	...	...	...

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
1954.....	287.6	202.8	12.0	30.13	22.47	85.3	70.6	67.8	- 3.1	0.953	2.52	2.90
1955.....	303.3	215.5	11.1	36.23	27.90	78.3	82.8	64.6	- 4.2	1.753	2.80	3.06
1955, September.....	307.9	219.5	11.2	34.29	26.70	78.9	78.4	5.3	+ 0.2	2.086	2.88	3.13
" October.....	309.2	220.4	11.2	34.64	26.96	79.7	79.2	5.4	- 2.7	2.259	2.82	3.10
" November.....	312.0	222.4	11.6	35.06	27.25	78.0	81.4	5.2	- 0.5	2.225	2.85	3.10
" December.....	314.8	223.0	11.2	36.23	27.90	78.3	82.8	5.7	- 0.8	2.562	2.88	3.15
1956, January.....	312.5	222.7	10.8	35.55	27.72	77.4	82.0	5.3	- 0.6	2.456	2.86	3.11
" February.....	...	...	...	...	...	...	...	...	...	2.372	2.82	3.08

⁽¹⁾ Figures calculated on the basis of a new and larger sample. ⁽²⁾ 1939 figures not strictly comparable with rest of series; stocks are at end of period. ⁽³⁾ All commercial banks. ⁽⁴⁾ Annual figures are totals for the fiscal year ended June 30th. ⁽⁵⁾ Average for third quarter.

Financial Statistics

EXCHEQUER RETURNS

In the financial year ended March 31st ordinary revenue was £4,893,143,000 compared with £4,737,892,000 in the previous year. Ordinary expenditure amounted to £4,459,551,000 compared with £4,268,659,000 in 1954-55. The "above-line" surplus (after allowing for Sinking Funds of £36,489,000) was £397,102,000

compared with £433,166,000 in the twelve months before. Ordinary revenue exceeded the revised Budget estimate by £167,993,000 while ordinary expenditure fell below the estimate by £160,392,000. Consequently the Exchequer was left with a surplus which was £328,385,000 larger than had been expected.

£'000	Estimate 1955-56	April 1, 1955 to Jan. 28 1956	WEEK ENDED IN 1956										April 1, 1955 to Mar. 24, 1956	END-YEAR TURN OUT			
			Jan. 28	Feb. 4	Feb. 11	Feb. 18	Feb. 25	Mar. 3	Mar. 10	Mar. 17	Mar. 24	April 1, 1954 to Mar. 31, 1955		April 1, 1955 to Mar. 31, 1956	Five Days Ended Mar. 31 1955	Week Ended Mar. 31, 1956	
Ordinary Revenue																	
Income Tax	1,877,400	1,285,722	139,990	131,267	97,929	84,770	63,824	68,349	55,221	26,887	59,293	1,873,262	1,892,965	1,942,902	41,309	69,640	
Sur-tax	136,000	89,200	7,500	9,400	6,900	5,300	6,000	5,700	4,300	4,300	4,100	135,200	134,700	138,600	2,600	3,400	
Death Duties	185,000	143,300	2,900	5,000	3,400	3,900	3,900	3,100	4,000	3,700	3,000	173,300	187,900	175,700	2,100	2,400	
Stamps	74,000	59,100	1,500	1,500	1,200	1,600	700	1,700	1,100	1,300	600	68,800	75,100	70,600	1,830	1,800	
Profits Tax and E.P.T.	180,000	165,200	3,100	2,800	2,300	4,300	2,500	2,200	2,300	2,400	3,400	187,400	172,800	192,500	2,400	5,100	
Excess Profits Levy	25,000	16,890	200	200	200	200	300	200	100	200	...	18,290	76,500	18,450	1,150	160	
Special Contribution and other Inland Revenue	1,000	550	...	80	...	...	80	...	...	...	...	710	1,280	770	...	60	
Total Inland Revenue	2,478,400	1,759,962	155,190	150,247	111,929	100,070	77,304	81,249	67,021	38,787	70,393	2,456,962	2,541,245	2,539,522	51,389	82,560	
Customs	1,131,700	964,372	22,062	18,533	19,121	22,046	19,039	21,530	20,116	20,868	21,802	1,127,427	1,100,049	1,148,598	14,832	21,171	
Excise	811,050	661,120	13,430	13,420	16,070	30,586	18,130	18,540	6,540	5,640	5,035	849,081	771,637	864,511	4,620	15,430	
Total Customs and Excise	1,942,750	1,625,492	35,492	31,953	35,191	52,632	37,169	40,070	26,656	26,508	26,837	1,976,508	1,871,686	2,013,109	19,452	36,601	
Motor Duties	80,000	80,664	9,279	4,630	628	...	787	...	...	...	...	86,709	78,980	86,987	592	278	
PO (Net Receipts)	25,000	21,300	3,500	...	...	1,750	350	Dr 400	Dr 800	400	Dr 1,300	...	5,100	...	Dr 2,720	...	
Broadcast Licences	24,000	28,935	434	...	...	...	...	2,500	...	...	...	23,600	22,300	25,800	2,200	2,200	
Sundry Loans	175,000	162,144	6,159	12,581	71	438	732	414	4,605	1,115	10,298	192,398	29,858	23,024	29,858	...	
Miscellaneous	...	...	...	...	...	...	...	...	...	...	...	192,398	195,558	197,867	2,243	5,469	
Total	4,725,150	3,678,497	210,054	229,411	192,456	154,890	116,342	123,633	97,768	68,810	108,228	4,766,035	4,737,892	4,893,143	72,958	127,108	
Ordinary Expenditure																	
Debt Interest	600,000	523,735	...	...	5,011	49,910	5,799	31,012	6,366	10,222	63,785	635,840	569,723	637,884	Cr 307	2,044	
Payments to Northern Ireland	53,000	46,209	3,721	...	3,011	...	3,321	...	3,011	...	...	...	50,191	59,152	...	3,600	
Exchequer	10,000	8,416	...	43	185	154	...	45	...	103	...	55,552	8,812	10,173	...	227	
Other Consolidated Funds	3,957,433	2,945,778	80,503	83,430	74,950	87,600	72,945	89,541	81,299	77,915	96,311	3,609,767	3,639,933	3,752,342	94,140	142,575	
Supply Services	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Total	4,820,433	3,525,136	84,223	83,473	83,167	137,064	82,068	120,598	90,676	88,137	100,199	4,311,105	4,268,659	4,459,551	94,042	148,448	
Sinking Funds	36,000	27,683	370	240	1,030	890	290	4,679	1,160	360	90	36,422	36,067	36,489	260	67	
"Above-line" Surplus or Deficit	125,677	125,460	145,698	108,270	16,338	33,887	1,444	5,822	21,487	5,838	418,608	433,166	397,102	21,348	21,408		
"Below-line" Net Expenditure	484,161	12,519	7,753	11,701	2,612	5,256	11,028	2,633	10,455	21,532	557,131	493,647	537,981	Cr 10,427	Cr 19,159		
Total Surplus or Deficit	358,494	112,941	137,945	96,569	13,726	28,731	12,872	3,289	32,142	15,593	138,823	90,481	140,879	10,919	2,255		
Net Receipts from:																	
Tax Reserve Certificates	33,507	27,149	16,237	21,453	12,848	4,833	9,244	423	3,037	842	75,332	18,704	45,729	15,112	29,603		
Savings Certificates	20,300	1,200	...	900	200	700	500	1,700	100	1,100	21,300	45,850	20,600	...	700		
Defence Bonds	21,133	314	673	340	15	628	894	908	1,595	1,609	27,765	21,290	29,108	...	1,343		

BANK OF ENGLAND RETURNS

(£ million)

	1955		1956									
	Feb. 2	April 6	Feb. 1	Feb. 8	Feb. 15	Feb. 22	Feb. 29	Mar. 7	Mar. 14	Mar. 21	Mar. 28	April 4
Issue Department*												
Notes in circulation	1,659.8	1,723.7	1,770.7	1,777.4	1,779.2	1,779.3	1,787.9	1,801.2	1,808.0	1,816.1	1,841.3	1,852.4
Notes in banking department	65.6	26.6	54.6	48.0	46.1	46.1	37.5	24.2	17.3	59.2	34.1	23.0
Govt. debt and securities*	1,721.2	1,746.2	1,821.3	1,821.2	1,821.3	1,821.2	1,821.3	1,821.2	1,821.3	1,871.2	1,871.2	1,871.3
Other securities	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7
Gold coin and bullion	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Coin other than gold coin	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Banking Department:												
Deposits:												
Public accounts	14.1	11.8	14.9	9.4	12.9	10.5	11.3	11.9	10.6	11.1	15.7	15.7
Treasury special account	4.7	4.1	3.3	3.3	3.3	3.2	3.1	3.2	3.2	3.2	3.2	3.2
Bankers	261.2	272.2	233.6	234.4	243.8	242.0	258.1	226.7	242.9	250.9	243.3	225.1
Others	65.8	65.9	73.2	70.6	70.7	71.5	69.3	69.9	73.5	76.5	79.3	76.5
Total	345.8	354.0	325.0	317.7	336.7	327.2	341.9	310.4	327.9	338.2	334.1	323.3
Securities:												
Government	264.6	308.4	247.8	237.4	265.8	248.5	283.8	256.4	290.3	260.5	276.7	276.6
Discounts and advances	16.5	20.1	21.5	31.3	23.8	32.2	20.6	28.8	19.3	17.4	22.1	23.5
Other	15.1	14.1	17.2	17.1	17.0	16.8	17.2	17.2	17.2	17.2	17.5	16.6
Total	296.2	342.6	286.5	285.8	306.6	297.5	321.4	302.4	326.8	295.1	316.3	316.7
Banking department reserve	67.9	29.0	56.9	50.3	48.4	48.3	39.8	26.5	19.6	61.4	36.3	25.1
Proportion	19.6	8.1	17.5	15.8	14.3	14.7	11.6	8.5	5.9	18.1	10.8	7.7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £1,875 million from £1,825 million on March 21, 1956.

FLOATING DEBT

(£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1955					
Jan. 31	4,931.4	315.2	...	...	5,246.6
Feb. 31	3,520.0	2,061.7	246.8	...	5,828.4
1956					
Jan. 7	3,500.0	2,023.7	249.7	...	5,773.3
" 14	3,430.0	2,007.3	254.8	...	5,692.1
" 21	3,390.0	1,998.8	253.8	...	5,642.6
" 28	3,340.0	1,994.6	236.7	...	5,571.4
Feb. 4	3,280.0	1,965.4	205.0	...	5,450.4
" 11	3,280.0	1,875.4	219.2	2.0	5,376.5
" 18	3,270.0	1,872.6	234.9	...	5,377.5
" 25	3,220.0	1,886.7	246.6	1.8	5,355.0
Mar. 3	3,210.0	1,908.9	243.0	...	5,361.9
" 10	3,210.0	1,594.3	254.9	...	5,059.2
" 17	3,210.0	1,624.2	254.4	...	5,088.6
" 24	3,230.0	1,561.8	315.2	...	5,107.0
" 31	3,220.0	1,568.0	294.6	...	5,082.6

\$ EXCHANGE RATES AND GOLD PRICE

Date	LONDON CLOSING EXCHANGE RATES FOR UNITED STATES \$		Gold Price at Fixing
	Market Rate : Spot	One Month Forward Rate	
		Cents Prem.	
27	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
28	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
30	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
31	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
1	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
2	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
3	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
4	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
6	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
7	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
8	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
9	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
10	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
11	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
13	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
14	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
15	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
16	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
17	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
18	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
20	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
21	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
22	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
23	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
24	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
25	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
27	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
28	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
Mar. 1	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
2	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
3	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
5	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
6	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
7	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
8	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
10	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
12	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
13	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
14	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
15	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
16	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
19	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
20	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
21	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
22	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
23	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
24	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
26	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
27	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
28	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
29	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
31	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
April 3	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30
5	2.80 1/2 - 2.80 3/4	2 1/2 - 2 3/4	249/30

COMPANY MEETINGS

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

LAST YEAR'S RESTRAINED OPTIMISM JUSTIFIED

LARGER NET PROFITS DESPITE INCREASED COSTS

MR V. A. GRANTHAM'S REVIEW OF FAR EAST CONDITIONS

The One Hundred and Second Ordinary general meeting of The Chartered Bank of India, Australia and China was held on April 4th at 38 Bishopsgate, London, E.C.

The following are extracts from the statement by the chairman, Mr V. A. Grantham, which has been circulated with the report and accounts for the year 1955:

INTRODUCTORY

The report I have to present will be found to justify the note of restrained optimism upon which I concluded my statement last year. Political relations between the Peoples Republic of China and the Atlantic countries are less strained but fundamental differences remain unsolved. The volcanic situation in the Formosa Channel continued surprisingly quiescent and towards the end of the year its menaces were obscured to some extent by new crises in the Levant and the Middle East. The tide of Asian nationalism continues to flow strongly and it is inevitable that this should follow emancipation from colonial rule. No harm can emerge from this provided that as the new Asian regimes become more mature politically they realise that in the modern world no country, however well endowed in material resources, can live in isolation.

Since the end of the War it has been assumed that the achievement of political independence would liberate hitherto submerged reserves of zeal for the public good and impart a new sense of responsibility to labour. To some extent this has happened but the redistribution of power, both political and economic, may be gravely imperilled by the pressure of population. It is useless to attack poverty by political and economic measures if hardly-won improved living standards are submerged by an infinite multiplication of mouths to feed. This is not a problem which can be remitted to the third and fourth generations; in several eastern countries it already exists.

ANSWER TO COMMUNISM

It is often said that the answer to Communist propaganda and infiltration in the East is largely to be found in the granting, by the Atlantic countries, of generous economic assistance. Aid must be given, however, in ways which do not affront national pride or damage the national economies, particularly those which are necessarily still based upon agriculture. No constructive purpose can be served by unloading upon Southern and South Eastern Asia export surpluses of agricultural produce and of consumers' goods that the recipients wish to grow or manufacture themselves.

The eastern lands need technological assistance most of all and of that there would not appear to be a large export surplus in the United Kingdom. Of the making of five-year plans there seems no end. Some

of them are soundly conceived and they should do much to provide productive employment in countries where large reserves of man-power are dissipated in endless divisions of labour. But there is a limit to what the world can consume in relation to its population and the ultimate success of these plans must depend upon a balanced economy where the increase in population, which is bound to take place, is more than matched both by increased production and internal consumption.

THE CONSTITUTION OF THE BANK

A year ago I said that the Directors felt that in consequence of the closing down of the branches in China which had for many years constituted an important part of the Bank's overseas establishment there must be expansion elsewhere. To facilitate expansion when opportunities offer it is desirable to obtain a revision of those provisions of our Royal Charter which circumscribe our overseas organisation. The Court of Directors have accordingly petitioned Her Majesty the Queen for the grant of a consolidating Royal Charter. I am pleased to say that Her Majesty's Treasury have intimated that they approve of the changes proposed. In a letter to the stockholders which accompanies this report I have explained in detail the constitutional and administrative changes proposed by the Court of Directors.

THE CBI DEVELOPMENT CORPORATION LIMITED

For many years the business transacted by the Bank was related almost wholly to the financing of overseas trade and to the provision of banking facilities and services for a clientele which consisted mainly of merchants. Between the wars the merchant communities became increasingly associated with local enterprise throughout the East and the industrialisation of hitherto undeveloped countries was accelerated. These tendencies have been accentuated by the upsurge of Asian nationalism since 1945.

The Bank has achieved a good deal of success in adapting its operational technique to changed political and economic conditions and during the past ten years an increasing proportion of its resources has been employed in the financing of infant industries and new public works. Many of the credit operations that the Bank is now being asked to undertake are likely to extend over periods longer than those for which banking accommodation is usually granted. I am sure that the Bank's continuing to operate in the East can be justified only for so long as it is willing to associate itself with the economic development of the territories it serves.

EXPANSION OF CREDIT FACILITIES

Nevertheless, it is not possible, from the ordinary banking point of view, to expand

the dispensation of what may be called medium-term credit, that is to say, the granting of accommodation for periods extending from two to ten years, and it has become apparent that a new type of credit institution is required to finance development, both agricultural and industrial, and to sponsor, and perhaps underwrite, the raising of capital from the public. To meet these requirements within the Bank's sphere of activity the Directors have formed The CBI Development Corporation Ltd., which has been registered with an authorised capital of £2 million, of which £500,000 has been paid up.

The new company is a wholly owned subsidiary of The Chartered Bank of India, Australia and China and I am pleased to say that Sir John Tait, Sir Henry Richards and Sir Arthur Bruce are associated with me as Directors. I am hopeful that the new institution will be able to play an important part in assisting those countries with whose prosperity the Bank has been so long identified to modernise their economies. Medium-term credit institutions have been formed under the aegis of the governments of several of the countries of Southern and South-Eastern Asia. It must be presumed that these government-sponsored institutions will undertake the financing of major industrial enterprises and public works schemes but there are likely to be many projects on a smaller scale which the Bank's development corporation could effectively support.

COURT OF DIRECTORS

I record with deep sorrow the death on May 26, 1955, of Mr James Leslie Milne, who was elected to the Court of Directors in 1942 and served as Deputy Chairman from April 5, 1950 to 1954.

In the place of Mr Milne the Directors have elected to the Court Sir Charles Watt Miles, OBE, a partner in Messrs R. G. Shaw and Company. Mr Cecil Robbins Cherry who became a Director in 1948 resigned in July last on his retirement from business in the City of London. Mr Cherry has been succeeded by Sir Kenneth Brand Harper, Chairman of the Burmah Oil Company Limited.

THE STAFF

At home and abroad the Bank is served devotedly by the staff of all ranks and it is impossible to speak too highly of the work they do in their various capacities and in their different spheres.

THE BANK'S BALANCE SHEET

The total of the Bank's Balance Sheet has this year risen to £223,968,987, an increase of £20,283,292 over last year's figure. This is due partly to an increased volume of international trade in those Eastern countries in which the Bank is represented and partly to the higher prices of some of the staple Eastern commodities, notably rubber and tin.

On the left hand, or Liabilities side of the Balance Sheet, Current and Other Accounts, Fixed Deposits and Bills Payable show increases of £127,828,807, £10,175,189, and £485,423 respectively. Inflation has undoubtedly contributed to these increases. Acceptances on account of customers are down by £3,282,066, which is accounted for by the higher Discount Rate in London compared to other centres and partly due to the larger holding of sterling by Japanese Banks.

On the right hand, or Assets side, Cash in Hand, at Call and at Bankers shows the substantial increase of £6,591,069, the ratio to our "demand and time" liabilities, excluding Notes in Circulation against which security has been lodged, being 21.86 per cent against 18.54 per cent last year. The figure for Government and Other Securities apart from those lodged against Note issue, is lower by £3,898,420. As usual these have been taken into account at Market Value and we have made full provision for depreciation out of our internal reserves. Stockholders will be glad to know that all holdings are dated and in large proportion mature within ten years. Bills of Exchange and Advances to Customers and Other Accounts show increases of £2,439,731 and £17,133,312 respectively, once again indicating the extent to which we are assisting our customers and taking our share in financing World trade with Eastern countries.

Considerable expenditure continues to be incurred in meeting the cost of expansion and modernisation of our offices in the East. Without suitable premises and accommodation for our staff it is clear that our business cannot operate and we must expect to have to continue to set aside substantial amounts each year in the writing down of this item.

PROFIT AND LOSS ACCOUNT

The net profits for the year at £759,340 are higher by £36,193 than last year, in spite of increasing working costs in all countries where we operate. Fortunately these increased costs have been more than covered by increased business.

The scale on which world trade has increased during the last two years is due partly to the intense effort being made by each country to become self-supporting and partly to inflation. On either count it is vulnerable and liable to setbacks, and I would ask Stockholders not to lose sight of that fact.

The Bank paid an Interim dividend in September last of 7½ per cent, less Income Tax, absorbing £150,937 10s. and it is proposed that out of the balance now available a final dividend of 7½ per cent should be paid, costing £150,937, making the total distribution for 1955 15 per cent.

It is proposed to repeat the allocations made in each of the past five years to the Pension Fund and Widows' and Orphans' Fund of £125,000 and £20,000 respectively. The sum of £200,000 has again been applied towards writing down Bank Premises and Furniture Account. It is proposed to transfer £100,000 to Contingencies Account and to carry forward the increased balance of £405,375.

ADEN

Our branches in Aden, in highly competitive conditions, have continued to extend their connections with the commercial community.

INDIA

It is satisfactory to record that the country has continued to progress in the economic

field during the past year. Since the first five year plan was drawn up in 1951 the Indian economy has steadily gained strength and it now seems likely that whereas the plan was originally designed to expand the national income by 11 per cent over the period 1951/1956, the actual increase will be about 18 per cent. This increase is a result of the expansion of both agricultural and industrial output.

India's capacity to increase production of cereals and industrial raw materials such as cotton and jute has brought about an improvement in the country's balance of payments in the last few years, since food imports have virtually ceased and there has been a substantial reduction in imports of raw cotton. The rise in agricultural production owes much to favourable monsoons, but is also due to the wise planning of development expenditure in extending irrigation, to the increased use of fertilisers and to the general improvement which is gradually being effected in agricultural technique. In the industrial field production has also expanded following increased investment in industry and a more efficient use of existing productive capacity.

FALL IN PRICES

It is a remarkable fact that increased national income and substantial government expenditure in connection with the first five year plan has not been accompanied by inflation. Indeed, prices have tended to fall during the past year and the decline has been sufficiently marked to cause the government to support agricultural prices in certain areas. Fears have been expressed in the past that to implement the plan the authorities would be forced to resort to deficit financing on a considerable scale.

In fact it has not proved necessary to adopt this potentially inflationary expedient to anything like the extent envisaged when the plan was first drawn up, and there has been little difficulty so far in maintaining the country's foreign exchange reserves at a comfortable level.

SECOND FIVE YEAR PLAN

We now have the draft outline of the second five year plan. The Government's proposals are to stimulate rapid economic development and to create employment, commendable objectives which it is not easy to reconcile in a predominantly agricultural country like India, where an improved agricultural technique may cause unemployment rather than create jobs.

It is clear that the resources available fall far short of the expenditure envisaged under the second five year plan, viz., Rs.4,800 crores in the public sector and Rs.2,300 crores in the private sector.

Consequently a far larger measure of assistance from abroad will be necessary than has been the case under the first five year plan. Although foreign capital has been entering India in recent years, it has been doing so only on a modest scale. The Indian Government has received grants and loans from abroad and there has been investment from abroad in co-operation with Indian capital in particular industries. A substantial proportion of the foreign investment that has been made has been in the form of profits ploughed back by British firms already established in India. It is hoped that these sources of foreign funds will continue to assist the Indian economy but investment in particular must largely depend on confidence in the future of private enterprise. Export earnings will no doubt help to swell the country's foreign exchange resources but even so it is not clear how

sufficient foreign exchange is to be found to implement the new plan.

NEED FOR FOREIGN CAPITAL

In this connection I expressed hope last year that nothing would be said or done which would have the effect of discouraging individual effort or frightening away potential investors. Notwithstanding ministerial assurances it must be admitted that certain trends are disquieting. The nationalisation of all Life Assurance companies, many of which are shareholders in the private sector of industry, is not a happy omen, and from the point of view of overseas firms that employ specialised foreign staff the rates of taxation on income, which are in no sense discriminatory, do pose a major problem.

There are still many fields in the private sector of Indian industry where the capital, skill and enterprise of foreign firms could be of invaluable assistance to the Indian economy, but continued foreign investment in India and the promotion of industry with foreign help must necessarily depend not only on confidence but also on the ability to employ foreigners on terms that make overseas service attractive.

PAKISTAN

The outstanding event in the banking field in Pakistan during the past year was the devaluation of the Pakistan rupee to parity with the Indian rupee last August. When the United Kingdom devalued its currency in terms of dollars in 1949, Pakistan was the only country in the sterling area that did not follow suit. At that time Pakistan's balance of payments was in a favourable position owing to strong international demand for its staple exports, cotton and jute. Subsequently, and in particular since the collapse of the Korean war boom, the country's exchange reserves have been on more than one occasion under severe strain and the competitive power of the country's exports was not assisted by the over-valuation of the currency. For these reasons it had been expected for some time that the authorities would take advantage of a favourable opportunity to devalue the currency to a more realistic level.

In previous Statements I have referred to the aim of the government of Pakistan to change the basis of the country's mainly agricultural economy by pressing forward with a policy of industrial development. Efforts to accelerate this process have been intensified during the past year.

BURMA

Last year I mentioned that Burma's exchange reserves were being drawn upon at a rapid rate to finance government purchases of capital goods and equipment required for the country's economic development schemes. From their peak in the middle of 1953, when they stood at K.114 crores the external assets drained steadily away until last June when they totalled K.40 crores (£30 million).

They have lately increased slightly, a reflection of the drastic steps taken by government last March to restrict the volume of imports and of better overseas sales of the current rice crop.

CEYLON

Ceylon has enjoyed a prosperous year and the island's overseas trade surplus in 1955 reached record figures. Month by month throughout the year exports exceeded imports and in consequence, except for a small deficit in April, the external reserves continued to rise once again to the levels at which they had

stood at the height of the boom which followed the outbreak of the Korean War.

The measure of the progressive improvement that has taken place in the economic situation in Ceylon is that little more than two years ago, as a result of changes in the terms of trade following the collapse of the Korean War boom the external assets had been reduced to their lowest level since 1943, whereas during the past two years a combination of sound financial policy by government and the effective exploitation of remunerative markets abroad for rubber and tea has had the effect of almost doubling the external assets.

In order to assist development in the private sector of the economy the authorities are anxious to encourage foreign capital to enter local industry. Assurances have been given that nationalisation is not a general aim of government policy and that overseas investors will enjoy the same tax concessions as are extended to local capital entering new industry in Ceylon as well as unrestricted facilities for the remittance of profits and repatriation of capital. The stability of the balance of payments during the past two years strengthens the country's chances of obtaining additional capital from abroad at a time when it is on the threshold of an important phase in its economic development.

MALAYA

The past year has been a notable one for both the Federation of Malaya and Singapore. In the economic field, rubber and tin have fetched remunerative prices in the international market and both territories have enjoyed considerable prosperity. Great interest has been aroused by the publication of the long-awaited report of the World Bank mission on the economic development of Malaya, a report which, since it recommends the establishment of a central banking system, is of particular concern to this bank and the exchange banks in general.

Politically, 1955 has seen the accession to office of the first governments to be elected by popular vote under the new constitutional arrangements in both territories. In Singapore a succession of strikes caused much trouble and concern following the election but the new government showed commendable firmness in dealing effectively with a dangerous situation. In the Federation the Alliance party gained an overwhelming victory at the polls and the new government felt its position sufficiently strong to declare an amnesty for all those who had taken up arms against the Federation government.

COMMUNISTS IN INVIDIOUS POSITION

Although the amnesty failed to have the desired effect in bringing the Emergency to an end, the meeting which took place at the end of the year between the Chief Ministers of the Federation and Singapore and the Communist leader has put the Communists, in view of their decision not to surrender, in the invidious position of deliberately choosing to continue a revolt, directed now not against the British authorities but against a government which has been freely elected by the people of Malaya and to which, as far as can be judged from reports of the recent constitutional discussions in London, virtually complete control of its own affairs will be transferred within a comparatively short time.

The governments of both the Federation and Singapore have accepted in principle the recommendation of the World Bank mission that a central banking system should be established and it was recently announced that inquiries were being hastened forward with the object of implementing the proposal. It is a source of satisfaction that, in

connection with the project, the two governments have sought the assistance of the Bank of England which has made available the services of a senior official to help with the preliminary inquiries.

SELF-GOVERNMENT

Any review of Malaya, however short, would be incomplete without mention of what may be the outcome of self-government and independence. It seems to me that economically it would be to the obvious advantage, of both the Federation and Singapore, to unite. The World Bank report on Malaya is based on the assumption that the Federation and Singapore will be one economic entity with one Central Bank and one currency. At the moment I fear the indications are that such is not to be, and it seems not improbable, should both the Federation and Singapore proceed with the idea of a Central Bank, that they will have separate currencies. Should this be the case, and I sincerely hope it will not be, it is difficult to foresee the future of Singapore, which, with its labour troubles in no way facilitating its industrialisation plans, may have only its entrepôt trade to maintain its large and growing population.

It was reassuring to hear from the High Commissioner for the Federation of Malaya, when he spoke on the budget for the present year, that it remains the present government's policy to encourage investment from abroad and to foster conditions in which the overseas investor can continue to assist the Federation's economic development without fear of discrimination or unfair treatment.

NORTH BORNEO

Although trade figures are not yet available for the year there are indications that the aggregate value of North Borneo's exports increased substantially during 1955. This is mainly due to the prosperity enjoyed by the territory's principal industry, rubber. Shipments of rubber from North Borneo rose in volume by 17 per cent to 20,068 tons during the year and owing to the remunerative prices ruling in the international market for this commodity, have been of more than proportionately greater value compared with 1954. The rise in the aggregate value of exports has been reflected in increased imports but it is likely that there was a comfortable trade surplus for the year as a whole. In any case the additional expenditure overseas was largely concentrated on capital equipment and other necessities and should thus prove beneficial to the territory's economy in the long run.

As you are doubtless aware the currency in British Borneo is the Malayan dollar. With self-government, independence, and central banking on the Malayan peninsula it is possible that Borneo may not desire to have a currency outside its control and a solution may have to be found in having Currency Commissioners for a British Borneo dollar. A different dollar will in no way facilitate the large trade existing between the three colonies and Singapore and, indeed, unless transfers are free and the separate currencies kept at the same level, it may be positively detrimental.

SARAWAK

The rise in rubber prices in the international market has been of benefit to the economy of Sarawak. Shipments of rubber from the colony show an aggregate increase of approximately 50 per cent in volume and although final trade figures are not yet available for the whole of last year all indications are that rubber exports have more than doubled in value.

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Exports of timber have almost certainly reached record levels and the timber trade has continued to have the benefit of remunerative markets in the United Kingdom, Australia and on the Continent of Europe. On the other hand, pepper, which, excepting refined petroleum, was Sarawak's most valuable export in 1953 and 1954, had a less favourable year.

INDONESIA

It is gratifying that the underlying optimism which has sustained our operations in Indonesia and our faith in the Republic's ability to overcome its economic and other troubles are seemingly more warranted now than at any time during the last two years. The deterioration, almost continuous during that period, has been halted and the process of recovery has started and bids fair to continue.

This recovery, which is evidenced in financial, economic and political fields, dates from the replacement in July of the communist-supported coalition government by a strong Masjumi-led caretaker government determined to suppress malpractices, combat inflation and restore governmental authority.

THAILAND

The successful outcome of Thailand's decision last year to restore the rice trade to private hands paved the way for one of the most interesting postwar experiments in the Far East—a country returning to a free economy. When it was seen that private traders would succeed in disposing of the whole of the previous season's rice crop, the government, who are to be congratulated on the smooth and sensible manner of the transfer, introduced further measures to remove unnecessary restrictions on exports and followed this by freeing imports.

It is expected that adjustable customs duties will make luxuries expensive and keep imports generally within an acceptable pattern.

VIETNAM

Seldom can there have been more divergent views on the political and economic future of a country than those existing in Vietnam at the moment. Nevertheless, following the initial confusion resulting from the withdrawal of the French and the handing over of power to young and inexperienced administrators, order and stability have begun to appear.

To that extent conditions have improved but stability, economic and political, is dependent upon American aid, which will have to continue on probably an undiminished scale if the nation is to survive and make progress.

CAMBODIA

Cambodia is celebrating its independence with marked restraint and the young country's cautious approach to its monetary and economic problems has much to commend it.

Our own business in Phnom Penh has received fair treatment and encouragement from the authorities and the newly formed central bank and is developing along sound and conventional lines.

THE PHILIPPINES

For some years now in these reports I have been able to point to the Philippines as one of the few countries in South-East Asia having political and economic stability and I have more than once cited the Republic's successful struggle against inflation and its achievement in maintaining its international

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reserves at about U.S.\$300 million, or roughly equal to its note issue. Unfortunately 1955 has seen a very rapid deterioration in these key factors and at the end of the year the foreign holdings had dropped to a figure close to U.S.\$200 million.

As there were, too, no signs that exports, including the invisibles from American aid, were sufficient to cover imports it is not surprising that distrust of the peso was generated. Business circles for the most part are of the opinion that only the determined stand of the Governor of the Central Bank has prevented devaluation, and fears are expressed that unless a substantial loan is obtained from the United States there is the possibility of a change in the external value of the unit of currency.

HONG KONG

Although the external trade of Hong Kong during 1955 increased by almost five per cent in value from its level in the previous year, the figures indicate no fundamental improvement in the position of the entrepôt trade, which has always been the mainstay of the colony's economy. Exports to the China mainland declined drastically in value, a depressing indication that China prefers to import the limited range of goods and commodities which it is able to obtain from the free world direct from the countries concerned rather than through the entrepôt facilities of Hong Kong.

On the other hand Hong Kong's imports from China increased substantially, particularly in respect of textile yarns and piece goods, in the international markets from which China shows signs of becoming an increasingly important competitor.

CHINA

During the year we finally vacated our premises in Shanghai and transferred outstanding accounts and securities, as called for under the agreement with the representatives of the People's Government.

JAPAN

In commenting last year on the encouraging results in Japan following the introduction of the deflationary policy and other austerity measures I said that the country was by no means out of the wood, as much of the improvement was due to artificial restrictions and stimulants rather than to genuine economic improvement. It is with pleasure, therefore, that I am able to report that a further twelve months have seen such continuous improvement in industry and overseas trade that the Japanese economy is now nearer to achieving genuine stability than at any time since the war.

NEW YORK

The value of our New York office in our branch system has again been apparent this year, although we did not reap all the advantages which might have been expected from our having branches in countries receiving American Aid and an office in New York. In fact, as imports under aid programmes usually cause an equivalent reduction in imports through ordinary trade channels, our turnover in some Eastern countries is adversely affected. Nevertheless, this is often more than offset by the stability brought to those countries, and in the areas in which we operate the generosity of the Americans is most marked.

CONCLUSION

The money markets of the Sterling Area are of necessity highly sensitive to policy

pursued in the City of London and we have therefore to pay close attention to the policy of credit restriction now in operation in this country.

While it is obviously proper for us to observe the official directive so far as it applies to customers who deal and trade exclusively in this country, it will be clear that our operations overseas must, in the end, be related to the policies and needs of those countries in which we operate, where we have obvious responsibilities to the governments concerned, some of which are outside the Sterling Area.

The rates of interest imposed in the United Kingdom must to some degree affect the cost of finance of new projects in the undeveloped countries, but the extent to which finance for those projects should be provided is properly a matter for the countries themselves to determine and our main concern must be to see that our own operations are carried out on sound lines in each country in relation to local conditions.

The Sterling Area has far-flung ramifications and it is only too clear that uncertainties as to the results of the Credit Squeeze in this country could have far-reaching results not only in this country but also in the many countries in which we operate. It must be hoped that the policy that is now being put into effect will counteract those uncertainties without undue delay.

Copies of the full text of the Statement will be sent on application to the Secretary of the Bank at 38 Bishopsgate, London, E.C.2.

MARCONI'S WIRELESS TELEGRAPH COMPANY LIMITED

YEAR OF PROGRESS

The fifty-eighth annual general meeting of this company was held on March 15th at Marconi House, London.

Sir George H. Nelson, Bt, chairman, said: I am pleased to report a record turnover. The group profit is £907,122 and the net profit £485,614, an increase of £65,241. The dividend is 10 per cent, less tax.

The year has seen the introduction of Commercial Television, for which our company has been entrusted with the entire responsibility for designing and equipping three stations. Complete studios and outside broadcast units have been supplied to the Programme Contractors. Our Colour television equipment has been supplied to the BBC.

We have obtained a million dollar contract from Ecuador for an extensive radio telephone system, to link a number of the more important centres in that country. The outstanding event of the year in the communications field was the opening of the new Rugby Radio Station, into which have gone no fewer than 28 of the Marconi high-power transmitters.

In the Aeronautical field a novel airborne navigational aid of greater accuracy has been introduced in conjunction with the Ministry of Supply. Very significant progress has been made in many fields of research.

The name of Marconi's has never been held in higher esteem throughout the world than it is today. With our increasing productive capacity and with unrivalled research and development facilities, we face the future with confidence.

The report and accounts were adopted.

CABLE AND WIRELESS (HOLDING)

ENCOURAGING THE SMALL INVESTOR

SIR EDWARD WILSHAW'S SPEECH

The twenty-seventh annual general meeting of Cable and Wireless (Holding) Limited was held on March 9th in London.

Sir Edward Wilshaw, KCMG, DL, JP, LLD, FCIS (the Governor), presided and, in the course of his speech, said:

Again we have had a most successful year. Our gross income from Investments at £1,334,406 shows the appreciable increase of £274,893, and the value of the Investments has risen from £20,319,577 to £22,621,159, an increase of £2,301,582; our expenses are lower and the dividend is maintained at 10 per cent or 2s. in the pound.

The most important antidote to inflation is savings and still more savings. It is my determination to conduct this Company so as to give the greatest possible encouragement to the small investor; I want to be able almost to guarantee him a regular and reasonable income from his investment; I want him to feel that by retaining any earnings in excess of that reasonable income we are assuring that the value of his savings shall not only remain intact but is likely to appreciate. I also want to be able to demonstrate to the new and small investor that there is nothing wrong about a scrip issue and that any additional Stock so received is merely an acknowledgment of his title to his own savings which have been retained and re-invested for him by the Company.

In pursuance of our policy of "popularising" Investment Trust Companies we are arranging for the Ordinary Stock to be transferable and quoted in units of 5s. instead of in £1 units as at present. We are now in a sufficiently strong position to assure the maintenance of the annual distribution, for as far as we can reasonably foresee, at the rate of 2s. per £1 unit of Stock or, as it will be after March 27th, 6d. per 5s. unit of Stock, and this will be paid each year by four equal quarterly dividends of 1½d. per 5s. unit of Stock. It is our present intention that any excess earnings shall be used to give further advantages to stock owners from time to time by way of scrip issues or by the issue of additional shares on advantageous terms.

We have given much thought to methods by which the officials and staff may share with you in the prosperity of the Company. We intend that they shall be paid a bonus at a percentage rate on their salaries equal to the percentage of the dividend paid to the stock owners; also that a scheme be evolved whereby, after a specified period of service, their present pension arrangements should be improved to the extent that they will receive on retirement a pension of up to two-thirds of their final salary inclusive of present benefits.

We also have in mind that in the event of further issues of capital, arrangements may be made whereby some of the new shares can be offered to members of the staff. In addition, we hope to be able to afford facilities to the staff whereby they may, up to a certain percentage of their salaries, purchase the Company's stock and pay for it by agreed deductions from salary.

The report was adopted.

THE IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LIMITED

ANNUAL GENERAL MEETING

SIR ROBERT SINCLAIR'S REVIEW

The Fifty-fourth Annual General Meeting of The Imperial Tobacco Company (of Great Britain and Ireland), Limited, was held on March 20th at Bristol.

The following is a report of the Chairman's Statement to Stockholders:

The Directors' Report records the resignation of Mr H. Barlow. Mr Barlow, who was formerly Manager of our Ogden Branch, had been with the Company for 50 years. His wide knowledge and experience of the trade were of great value to our business, and we are all very sorry—both on business and on personal grounds—that the time for his retirement has come.

The Explanatory Statement issued with the Accounts deals with the main features. I can, therefore, make my review of the financial position comparatively brief.

SUMMARY OF THE YEAR'S RESULTS

The broad picture shown by the Parent Company's figures is this. The Trading Profit increased by £308,000, and other income by £479,000, while Taxation was less by £292,000. The result therefore is an increase in Net Profit after Taxation of £1,079,000. The capital employed in Trading operations increased by some £20 million or 10 per cent, while Trading Profit increased by 14 per cent.

The Group Accounts show an increase of £677,000 in Consolidated Trading Profit and of £1,213,000 in Consolidated Net Profit after taxation. The Revenue Reserves of the Group are increased by over £6 million, of which nearly £5 million is provided in the Parent Company's Accounts.

TRADING PROFIT

The Trading Profit of the Parent Company amounted to £19,872,000—an increase of £308,000 or 1½ per cent. The rising tendency of costs in 1954 to which I referred a year ago was continued and in some cases accelerated during 1955. Before the year was out we were forced to increase prices—of pipe tobacco and cigars in June, and of cigarettes in October. Inasmuch as the increases in prices came towards the end of the year their effect on the Accounts now before you is slight. It was, of course, because of higher costs that our percentage increase in Trading Profit was appreciably less than our percentage increase in turnover.

In January 1955 we were able—by virtue of the improved leaf supply position—to lift all restrictions on the supplies of our leading brands of cigarettes. The effect on sales was both instant and marked, but it was by no means uniform. As was to be expected, the sales of brands of which supplies had for years been rationed rose sharply while the sales of other brands decreased. In total, however, our turnover throughout the year rose appreciably. Our manufacturing capacity was severely strained, and later in the year one of our Branches had again to restrict

supplies for a time. Supplies are now completely free again, and I should like here to pay tribute to the efficiency with which our Branches dealt with the many problems to which the changed situation gave rise.

The Group Trading Profit of £23,310,000 includes the profits of our Subsidiary Companies, most of which are engaged in the paper and board trade. The four principal Companies are—St. Anne's Board Mill Company, Ltd. (carton board manufacture), Mardon, Son & Hall, Ltd. (printing and packaging), Ashton Containers, Ltd. (fibre-board packing cases), and Robert Fletcher & Son, Ltd. (cigarette paper and other fine tissues). Each is a substantial Company in its own right, and each has an extensive trade outside the Group. These Companies again had a satisfactory year's trading, and made an increased contribution to the Group's profits.

STOCK-IN-TRADE

The Parent Company's Stock-in-Trade showed an increase in value of £14,603,000. This was attributable partly to an increase in average cost, but mainly to an increase in quantity; and larger leaf stocks are required to support the expansion of our turnover.

In the USA the flue-cured tobacco crop last year was the largest ever grown, and although it called for highly selective buying it contained much tobacco that was well suited to our requirements. We are very satisfied with the quality as well as the quantity of our purchase. We were able to take advantage of these favourable buying conditions to purchase a quantity in excess of a year's requirements; and if, as I hope, this supplementary purchase can ultimately be paid for in sterling it will be a very useful addition to our stocks and therefore some insurance against a short or a poor crop in future years.

The 1955 Canadian crop was somewhat reduced by early frosts, but the quality was good. Having made a relatively large purchase from the previous crop, we were able to avoid pressing the market unduly in 1955.

The Southern Rhodesian crop last year again slightly exceeded 120 million lbs. This was greater than first indications had led us to expect. Considering the somewhat adverse growing conditions that were experienced the quality of much of the crop was good, and on the whole we were pleased with our purchase. Certainly, there was again too much poor tobacco in the crop, but the fact that despite inadequate sunshine and overmuch rain a substantial quantity of the middle and better grades was produced is an encouraging omen for the future. It reflects, I think, a real improvement in the standard of cultivation aided as it undoubtedly has been by the work of the Research Board. The tobacco growing industry of the Rhodesias and Nyasaland is an important factor in the expanding economy of the Central African Federation. The growers

there will not, I hope, take it amiss if I say two things—firstly, that, as they would themselves acknowledge, they have been materially assisted in the success they have achieved by the help and encouragement of United Kingdom manufacturers; secondly, that their continuing success must rest on their capacity to produce tobacco of really good quality at a reasonable price.

CAPITAL AND RESERVES

The Explanatory Statement shows in detail how the additional capital of rather more than £20 million employed in the business has been provided. The issue in the autumn of 1954 of the £20 million 4 per cent Loan Stock 1975/80 and the replacement of £10 million 3 per cent Notes which expired in April, 1955, by £15 million 3½ per cent Notes were in the light of the position today satisfactory financing. In the year under review, £5 million Acceptance Credits were not renewed. The outstanding balance of the 4 per cent Loan Stock issue—£14,072,000—was received; and the remainder of the increase in our capital requirements has been met by the transfer to Reserve of nearly £5 million from our own resources and by an increase in deposits by Subsidiary and other Companies.

TAXATION

The charge under this heading amounts this year to £12,840,000 in the Parent Company's Accounts and to £14,420,000 in the Group Accounts—in each case a small but welcome reduction from the previous year's charge. This is attributable to the decrease in the standard rate of Income Tax last year. The increased Profits Tax with effect from November 1st last will, of course, apply to the profits of the current year.

GIFT TO EMPLOYEES

As announced in the Directors' Report, we have again decided to make a Gift to Employees in recognition of their efforts to promote the Company's interests during the past year. The rate of the Gift will be 13 per cent of earnings in the year ended October 31, 1955. This is the same percentage as was paid in each of the three preceding years.

A Gift of this kind has, as you know, been paid for many years. It is, we believe, greatly appreciated, and it is tangible recognition of the good relations which undoubtedly exist among all ranks in the Company's employ.

NET PROFIT AND DIVIDEND

After providing for Taxation, for the writing off of the discount and expenses in connection with the issue of 3½ per cent Notes, and for the appropriations to Reserve to which I have referred, the net profit of the Parent Company available for distribution amounts to £7,937,000. It is proposed to pay a Final Dividend on the Ordinary

Stock at the same rate as last year, namely, 12½ per cent. This, with the Interim Dividend and the Preference Dividend, will absorb £7,747,000, leaving £190,000 to be carried forward.

Having regard to present and prospective commitments, and to the still rising tendency of the cost of capital replacement, we have not felt it prudent to do more than maintain last year's rate of dividend. I am conscious of the fact that we have not yet entirely restored the cut that we were compelled to make in our Ordinary dividend a few years ago, and that our total gross distribution is still slightly below the prewar level. The Tobacco Trade, however, has had its share of postwar difficulties—if one includes the exorbitant rate of Tobacco Duty perhaps more than its fair share—and it is, I think, no small achievement that the Company has come through those difficulties with unimpaired strength. The substantial transfers to Reserve that we have made this year are in the light of our own needs, present and prospective, and in the light of the general economic situation, not only appropriate but necessary. The first concern of your Directors is to maintain the financial strength of the undertaking, and thereon to build for the future.

Turning now to matters of more general interest:

TRADE PRACTICES

The publication of the Government's Restrictive Practices Bill brings into prominence a number of questions which have been the subject of controversy, both inside and outside Parliament, in recent years. In the Tobacco Industry there are no agreements between manufacturers on prices such as are referred to under Part I of the Bill. The Industry is, however, directly concerned with Part II of the Bill which deals with resale price maintenance and which, *inter alia*, seeks to prohibit the collective enforcement of resale prices. Until there has been more time to consider the implications of these measures it would be premature for me to speculate on their likely outcome or on their effects on the distributive trade. I would, however, say that in our judgment the system of collective enforcement of resale prices, as operated for many years in the Tobacco Trade, has worked fairly and well; and that while on the one hand it has protected retailers and wholesalers against price-cutting it has not on the other hand been used to restrict new outlets and it has helped materially in building up an efficient distribution service for the public. Moreover, the public will remember that even in the days of most acute shortage when "black markets" flourished for many things there were very few instances of higher than minimum prices being charged for cigarettes and tobacco. On the whole, I think, the system of collective resale price maintenance in the Tobacco Trade has been to the advantage, rather than the detriment, of the public interest. For these reasons I shall be sorry if it has to go—even though I would not expect the Company's trade to be significantly affected by its going.

DISTRIBUTION

Consideration of the problem of resale price maintenance leads me to refer to the question of distributors' margins of profit on the Company's products. When we increased the retail prices of tobaccos and cigars last June, and again when we increased cigarette prices in October, we took the opportunity to improve distributors' margins because we recognised that their costs, like ours, had risen appreciably. I need hardly assure you

that we endeavoured to hold the balance between all the interests concerned as fairly as possible.

Some distributors, I know, take the view that the increases made in their margins last year did not go far enough; others are by no means dissatisfied. It must, however, be recognised that while the discontinuance of the quota system that had been made necessary by the restriction of leaf supplies has created problems for some classes of distributors, these problems are inevitable corollaries of a return to normal conditions in the trade.

The situation at the moment is somewhat clouded by uncertainties which surround the whole question of resale prices—a subject to which I have already referred—but we will continue to watch the position closely. Ever since this Company's formation it has been our endeavour to deal as fairly as we could with our many thousands of distributive trade customers; and in consequence we have a long record of friendly relations with them which has redounded both to their benefit and ours. Stockholders will, I am sure, agree that fair dealing and friendly relations with our distributor customers, so far as we can ensure them, must continue to be our policy.

SMOKING AND HEALTH

Further publicity has recently been given to suggestions that excessive smoking may have harmful effects upon health and should therefore be officially discouraged. It is, of course, difficult for us as a Company to make any comment on this subject without incurring charges of bias. As I have said on a previous occasion, it is not our policy to make exaggerated claims for smoking or to put its benefits higher than the pleasure and peace of mind it undoubtedly brings. But there are several things on the health aspect that, I think, need saying or bear repetition at the present time. The first is that quite obviously excessive smoking—like excessive eating or excessive drinking—cannot be good for anyone; but equally obviously what is excessive to one person may be harmless to another. Secondly, while I do not wish to say anything which could conceivably be construed as seeking to minimise the general concern felt about lung cancer, it is a fact that only a small proportion of smokers contract the disease, and it is also a fact that the disease occurs among non-smokers. Moreover, there are a number of other factors—such as the much greater incidence of the disease per head of the population in urban than in rural areas—to the evaluation of which statistical and scientific attention is being directed.

A further point which is not without significance is the variation in the apparent incidence of the disease in different countries—a variation which appears to bear little relation to variations in tobacco consumption. And here I would emphasise that the level of per capita consumption in this country is by no means high. This may seem to some surprising in view of the fact that, as recently reported in the Press, £880 million was spent on tobacco in this country last year; but the reason for this large expenditure lies, of course, in the Tobacco Duty, which is now over six times the 1938 Duty and accounts for three-quarters of the retail price and for some £660 million of the total expenditure of £880 million. Statements suggesting that average consumption in this country is in any way excessive are therefore quite unwarranted. The truth is that, compared with prewar, after allowing for the increase in population, consumption has shown only a comparatively small increase, and is well below the per capita

consumption in a number of other countries, including the USA, Canada and New Zealand.

I ought also, I think, to dispose of one bogey. Statements have recently been made implying that substances such as saltpetre are used by United Kingdom cigarette manufacturers either in the tobacco or the paper to assist burning. Such statements so far as we are concerned are completely without foundation, and we confidently believe that to be so as regards all other manufacturers in this country.

I would remind you that in 1954 we joined with other leading tobacco manufacturers to place a fund of £250,000 at the disposal of the Medical Research Council in order to hasten research into the cause or causes of lung cancer. The reason, of course, was the very direct interest we have in getting at the truth of this matter. Meanwhile, we have continued and expanded our own chemical research into the constituents of tobacco and tobacco smoke, and the results of our research work are freely at the disposal of the medical authorities. We have also followed every phase of research on this subject in this country and abroad. Neither tobacco nor atmospheric pollution nor anything else can be entirely free from suspicion until medical science has established how lung cancer is caused; but that position has not been reached, and what is wanted is more research and fewer premature conclusions.

THE OUTLOOK

As I have said, our leaf stocks have been improved and although there is still some way to go before we can be satisfied with the position we are certainly better placed in this respect than we were a few years ago. The USA flue-cured crop is expected this year to be appreciably below the 1955 record level, but I am hopeful that both in the United States and in Canada we shall be able to purchase approximately twelve months' usings. The Rhodesian crop, combining Southern and Northern Rhodesia, seems likely on a first estimate to exceed 155 million lb, which represents a substantial increase over 1955 production; and we shall be very disappointed if we do not succeed in making a good purchase this year. The present position and immediate prospects as regards leaf supplies are therefore not unsatisfactory.

We shall, of course, have the full benefit in the current year of the increases in price that were made in the latter months of last year. I must, however, emphasise that these increases were primarily required to meet rising costs, including increased costs of distribution; and I should also explain that when we increased cigarette prices last October we took the opportunity at the same time to increase the size and weight of our cigarettes.

As I have said earlier, the Tobacco Duty accounts for about 75 per cent of the retail price of our main brands of cigarettes and tobacco. On numerous occasions in the past I have called attention to the danger to Revenue prospects from a protracted maintenance of the Duty at its present high level. A reduction in the Retail Price Index would be secured by a substantial reduction in the Tobacco Duty—and that is perhaps not unimportant in times such as the present. For the sake of the Industry and the Revenue which the Government derives from it I would again urge with all possible emphasis that the sooner a start can be made in lowering the very high rate of Duty the better.

As to the volume of our trade, I said a year

ago that following the removal of quota restrictions there was evidence that the basis of our trade was being broadened and strengthened. That judgment has been confirmed by the events of the past year. Indeed, the restoration of consumers' freedom of choice has demonstrated very clearly the great strength of the Company's leading brands in public favour. This strength

undoubtedly rests, as it has always done, on the value offered to the public in our brands as a result of highly skilled leaf buying, blending, and efficient manufacturing practice; and I can assure you that we shall show no disposition to be complacent in this respect. We have increased, and are in process of further increasing, our productive capacity; we are constantly exploring fresh

improvements in manufacturing technique; and it can, I believe, be fairly said that we are well equipped to meet the fully competitive conditions that once again exist in the industry. Taking all in all, and judging by the experience of the year to date, I would confidently hope that the trading results for the current year will be at least as good as those of 1955.

THE MESSINA (TRANSVAAL) DEVELOPMENT COMPANY, LIMITED

LARGER PROFITS AND DIVIDENDS

COPPER PRODUCTION INCREASED TO RECORD FIGURE

EXPANDING INTERESTS IN RHODESIA

COMMANDER H. F. P. GRENFELL'S SURVEY

The sixth Annual General Meeting of shareholders in The Messina (Transvaal) Development Company, Limited, was held in Johannesburg on March 13, 1956, Commander H. F. P. Grenfell, DSC, RN (Ret'd), presiding.

The Chairman addressed the meeting as follows:

Ladies and Gentlemen, it gives me great pleasure to welcome you to the Sixth Annual General Meeting of your Company, and, on behalf of the Board of Directors, to present for your approval their report and the Audited Accounts of your Company for the financial year ended September 30, 1955. Both these and the Notice convening the meeting have been in your hands for some time and with your permission I propose to take them as read.

You may remember that in my speech last year I suggested that we might expect frequent, and at times violent, fluctuations in the price of copper to continue, but that, as a result of having sold forward a large part of our production, we could look forward to final results as good as those presented at that meeting. You will have seen from the Report and Accounts now before you that our profits for the year before distribution not only equalled but exceeded those of last year by a margin of £152,105.

SUCCESS OF NEW CAPITAL ISSUE

Unfortunately, during the year we were called upon to pay £103,249 as owner's liability under the Silicosis Act. We had also to write off £82,967—expenses of the New Capital Issue, which, I am glad to report, was well received and has been a great success. However, these two large expenses came to be charged against this year's profit available for distribution, whereas last year's total was increased by windfalls of £252,488. The net amount available for distribution this year, including unappropriated profit of £44,078 brought forward from the previous year, was therefore £149,613.

The payment of increased dividends for the year, in Dividend Numbers 10 and 11, absorbed £1,254,000; the sum of £200,000 was transferred to General Reserve, and the balance of £42,131 carried forward to next year.

Since the end of the financial year we have continued our policy of selling forward as

an insurance against any downward trend which may develop in the fluctuations of the market. These must be regarded as permanent features of the copper industry under present conditions.

I am glad to tell you today that I have every hope the profits for this year will show yet another record for your Company.

OPERATING COSTS

Our operating costs at Messina again rose slightly during the year from 34s. 1d. to 34s. 8d. per long ton of ore produced. The equivalent figures per long ton of copper were £108 9s. 10d. and £114 11s. 4d.; that is to say, an increase of approximately £6 per ton. On a short tonnage basis costs amounted to £102 5s. 9d. per ton of copper, as against £96 17s. 4d. for the previous year.

As mentioned by the General Manager in his report, this rise in costs was almost entirely due to the employment of extra Europeans in place of Natives working underground necessitated by the withdrawal of the exemptions referred to in my speech last year.

GRATIFYING SERIES OF ACHIEVEMENTS

However, a most gratifying series of achievements in the smelter increased the production to a record figure—over 14,200 long tons of copper—despite an interruption caused by the emergency request of the Union Government at the time of the African strike on the Copper Belt, which necessitated a sudden change of production from ingots to wire bars.

Capital expenditure at Messina, of which details are given in the summary of the General Manager's report, amounted to £296,740. To keep pace with this and with an eye to future commitments we intend—so long as we continue to make good profits—not only to pay good dividends, but also to make substantial allocations to our reserves.

RESERVES A SOURCE OF STRENGTH

The present strength of our Company is due to our declared policy of always building up our reserves in good times: it is a prudent policy that has paid us well in the past, and I am sure Members will agree that it is one

that we should continue to follow in the future.

There is nothing of particular interest to tell you this year about our mining operations at Messina except the fact that our ore reserves again showed a substantial increase, and, despite a slight fall in grade, the copper content was about 3,000 tons higher than last year.

I have already referred to the excellent results obtained by the smelter, and I am also glad to report that all the other departments operated smoothly and efficiently.

UMKONDO PROPERTY

Our property at Umkondo was brought into production in May last year, and since then regular weekly shipments of concentrates have been arriving at Messina for final treatment in the smelter. We have experienced, as so often happens, the usual teething troubles associated with a new undertaking, but operating results are improving month by month, and I am sure this small but valuable property will make a useful contribution to our fortunes under the direction of Mr C. H. Chandler, the new manager.

With Umkondo in operation and our interests in Southern Rhodesia expanding, we have formed a Group Headquarters Staff composed of a number of Senior Officials, under the General Manager of the Company, who will act as consultants and advisers and generally supervise the many affairs of the Company at our various properties.

Mr W. I. Spence, who rendered excellent service in bringing Umkondo up to the production stage, has been appointed Resident Manager at Messina. We have also been fortunate in securing the valuable services, as our Salisbury Representative, of Mr Frank Elliott, who was for many years Chief Government Mining Engineer of Southern Rhodesia.

It gives me great pleasure to report that the harmonious relationship with our employees, which has been a constant feature of the history of our Company, continues, and that our labour supply, both European and African, has been satisfactory during the year.

PROGRESS AT MANGULA

Our expanding interests in Rhodesia to which I have referred include, of course, Rhodesia Copper Ventures, Ltd., which has

now been renamed MTD (Mangula), Ltd.; this indicates in part the name of the parent Company, while Mangula, a native word for copper, will be the name of the new township.

I have already reported that the capital issue to raise funds for the development of this property and to bring it into production was a great success. We have assumed responsibility for the management and working control of Mangula, as I may now call it, and I am glad to tell you that our plans and designs are being translated with ever-increasing momentum into a new mine and a new township.

In this connection I wish to record our appreciation of the unfailing help and co-operation we have received from the Government of Southern Rhodesia.

We hope that this new settlement will be a model of its kind in every way, and all our endeavours will be directed to this end.

SITE FOR NEW TOWNSHIP

Since the close of the year the problem of obtaining a freehold site for the township, referred to in the managers' report, has been satisfactorily solved, and the housing programme, both European and African, is now getting under way. The new main shaft is being sunk, the headgear is in course of erection, and, generally speaking, all the work is proceeding according to plan.

Members were advised by a circular sent out with the report and accounts of certain resolutions to be submitted at the annual general meeting of Rhodesia Copper Ventures, Ltd. on February 22, 1956. These resolutions were all adopted and the capital of the company has now been increased to £2,500,000 of which £1,200,000 will be issued to Mangula shareholders at once.

This will provide sufficient money to repay all advances made to date by your company, and enable Mangula to meet progress payments which will arise during the next few months on its construction programme. A further issue will be made when more funds are required.

Concurrently with construction on the surface, the Molly Section of the mine is being prepared for production, and further exploration work is being carried out by diamond drilling on other parts of the property. We have already found what appears to be an extension towards the south of the Molly East ore body, and although I am not yet in a position to give you positive confirmation on this point, the indications are that we may expect a considerable increase in tonnage of ore reserves in the Molly section.

ORE DEPOSIT AT BUKWE

Another of our interests in Southern Rhodesia is the large and valuable deposit of high grade iron ore at Bukwe, which I described in my speech the year before last.

Here, the results obtained from our development programme indicate proved and probable ore reserves of at least 82 million tons, with a further 80 million tons classed as possible. On the basis of these figures we exercised our option to buy the property at the end of March last year.

The ore appears to be of excellent physical and chemical quality and, according to our consulting engineers, compares well with some of the best ore deposits in the world.

If this is so, we have at Bukwe an asset which cannot fail to be of the greatest value not only to ourselves but to Southern Rhodesia and the Federation.

Steel, as you will readily appreciate, is one of the linchpins of modern industry,

and an assured supply is obviously of fundamental importance to the future of a young, vigorous and growing country such as Southern Rhodesia.

APPROACH TO GOVERNMENT

For these reasons we decided to approach the government to explore ways and means of linking this vast new ore deposit to the country's existing iron and steel undertaking.

The government welcomed our approach and during the past months—in full consultation with them—we have been investigating the possibility of reorganising and expanding the present undertaking in the light of the ever growing needs of the Federation.

Our discussions are still going on and it would be both unwise and improper for me to anticipate our conclusions in my speech today. I can, however, assure you that we will inform you fully at the appropriate time.

GENERAL EXPLORATION WORK

As you will have seen from the general manager's report, our geologists continue to be actively engaged in general exploration work in the field, and in the examination of properties submitted to us. At the present time we have a number of promising base metal prospects under investigation but I am not yet in a position to give you any useful information about them.

We are also carrying out a drilling campaign for coal in a concession adjacent to Wankie, but here again sufficient data on which to assess the potentialities of the area are not yet to hand.

THE COPPER MARKET

Turning now to the copper market, during the year we saw the price on the London Metal Exchange reach a peak of over £400 a ton under the impact of a succession of strikes at the major copper mines in the United States, Chile, and Northern Rhodesia.

As a result, approximately 200,000 tons of production were lost, and, although this gap was partially filled by the diversion on to the market of about 145,000 tons from the British Government's stock and the United States stockpile, the rise in consumption of some 190,000 tons during the year kept the market in a tight position. This condition still prevails and we have recently seen a quotation of £434 per ton.

THE OUTLOOK

As regards the future, there has of course always been the possibility that the additional tonnage from large new mines now being developed in various parts of the world might temporarily cause production to outstrip consumption. But this is unlikely to happen as long as the industry continues to suffer serious interruptions to output due to labour troubles.

In any case I have no doubt at all that, despite a certain amount of substitution by other materials, consumption will continue to grow at a rate that will ensure in the long term a good market for whatever copper the world can produce.

THANKS TO GENERAL MANAGER AND STAFF

In conclusion, on behalf of the board and myself, and I am sure on your behalf also, I want once again to thank our general manager, Mr Frost, and all who serve under him, and the staff of our London office, for their continued loyalty and hard work, with-

out which none of our undertakings would be possible.

The directors' report and balance sheet and accounts for the year ended September 30, 1955, were adopted.

The retiring directors, Mr D. E. Cox and Mr P. U. Rissik, were re-elected and the remuneration of the auditors for the past year's audit was fixed.

There being no further business the chairman declared the meeting at an end.

HASTINGS AND THANET BUILDING SOCIETY

GREAT RESERVE STRENGTH

The Annual General Meeting of the Society was held at Hastings on March 22nd, and in moving the adoption of the Directors' Report and Statement of Accounts for 1955, the Chairman, Mr H. J. D. Fuller, said:

The Society had had a most satisfactory year. New savings totalled £3,451,780 and house purchase loans amounted to £4,103,926; both record figures. Assets now stood at nearly £20 million. Reserves exceeded the satisfactory figure of £1 million and Liquid Funds totalled £2,335,631, being above the minimum proportion of liquidity recommended by the Building Societies' Association. Critical students of Building Society affairs were recognising more and more the strength of Societies like the Hastings and Thanet which possessed adequate Reserve Funds, a good degree of cash and readily realisable securities, and which pursued a cautious lending policy.

The past year was one of strain and difficulty in the Nation's affairs; a year of changes in money rates, when Building Societies could not remain immune from economic disturbances which necessitated changes in their own interest rates. Whilst Building Society rates were not tied to Bank rate, they were nevertheless affected by long-term alterations in money rates, and when in August last year it became evident that share, deposit and mortgage rates were out of harmony, the Directors had no alternative but to make requisite changes to investors and borrowers. Building Societies were not, however, profit-making organisations, and the increased cost to the borrowers was broadly the increased cost of the money to the Society. The process of such changes in 1955 was costly to the Society because the alteration in investors' rates became effective immediately, but for borrowers a period of notice was required. What was sometimes not realised was that the whole of the Society's capital was affected by such changes, necessitating the altered rates being passed on to old borrowing members. In a concern which was in effect a co-operative organisation it was proper that all members should be affected by any change.

In present circumstances people should try to spend less in order to save more. The Society offered a most attractive investment to the small and large investor, with Income Tax paid by the Society, no depreciation of capital and withdrawals which were easily arranged.

The Deputy Chairman, Mr E. Barber, LRIBA, stressed the need for the nation and individuals to defer unnecessary spending, so as to pave the way to greater tranquillity in the country's affairs.

The report was adopted, the retiring Directors were re-elected and the Auditors were re-appointed.

THE ENGLISH ELECTRIC COMPANY

OUTSTANDING ORDERS IN GREAT BRITAIN £163 MILLION

SIR GEORGE NELSON ON GROUP'S OUTSTANDING ACHIEVEMENTS

Sir George Nelson, Bt (Chairman), presiding at the Thirty-seventh Annual General Meeting on March 15th in London, said:

From the Consolidated Accounts you will see that the trading surplus before charging depreciation, taxation and other charges is £8,791,696 and that, after charging depreciation, loan interest and provisions and crediting dividends on trade investments, there is a balance of £6,570,601 compared with £5,371,281 in the previous year, an increase of £1,199,320 over 1954.

Taxation has risen by £337,539 to £3,471,954 and, after transferring £242,015 taxation relief on Investment Allowance to Capital Reserve, the Group profit is £2,856,632.

The increase of £1,200,000 to £6,570,601 in profits, before tax, is due to a substantially larger turnover, the inclusion for the first time of the Vulcan Foundry earnings and a reduction in the loss by the Canadian Subsidiary, John Inglis. This increased profit did not arise from a higher rate of profit but arose from a lower rate of profit on extra capital.

POLICY OF THE COMPANY

We believe the Company has been successful in its policy which has been based on providing stable employment, the giving of efficient service to customers, the payment of reasonable dividends and the strengthening of the national economy by exporting a substantial portion of our output. I am convinced that the principles we have tried to apply will bring advantages to employees, shareholders and the country at large, provided that none of the beneficiaries sought undue reward to the disadvantage of the others. The most severe handicap in the export market is the inability to quote fixed prices owing to rising costs. Export orders showed an improvement on the previous year, but this work was increasingly difficult to obtain and much of it was unattractive; we are still firm believers in the expansion of world trade in electrical products and will continue our intensive efforts in that direction.

The volume and value of production, orders received and outstanding orders has substantially increased. Outstanding orders of the Company and its wholly-owned subsidiaries in this country now amounted to £163 million.

Successive governments have repeatedly warned the nation of the danger of inflation. On many occasions the TUC have themselves referred in a most statesmanlike manner to the dangers of rising costs and have given appropriate advice to their member Unions but many of them have not yet realised the far-seeing wisdom and importance of this advice in the interest of their members as well as the nation as a whole. We welcome the TUC's realistic approach to the problems. We are entitled also to look for some support from our British suppliers of materials, with whom we spend annually about £50 million, as we often find today, that their prices prevent our offering competitive prices in export markets.

Two recent publications may be of great importance to the Heavy Electrical Industry. They are first, the Restrictive Trade Practices

Bill which presages possible changes in trading conditions at home and abroad, and secondly the Herbert report on the Electrical Supply Industry which contains certain recommendations about tenders from foreign competitors which if implemented might have far-reaching consequences for the nation. The latter, incidentally, ignores the fact that we have been consistently pressed by the Government to increase our manufacturing capacity to match the needs of the CEA as well as to supply export markets. I hope that those who are called on to deal with these subjects will not overlook either the history or the achievements of the Heavy Electrical Industry.

GROUP'S ACTIVITIES

The two prototypes of the Company's P.1 fighter have now completed some 300 flights, most of which have been supersonic. We hope this aircraft will play a great part in the defence of our country in the future and we are pursuing its development energetically. Our pilots who have flown the P.1 report that it is an aeroplane without any vices and is very pleasant indeed to fly.

During the year the Canberra has added to its reputation by establishing more world records, including a new altitude record for aircraft, of 65,876 feet. A squadron of Canberras has completed a tour of West Africa and took part in fly-pasts during Her Majesty's visit to Nigeria.

An outstanding achievement last year was the construction of the Deltic Locomotive of 3,300 hp, a new application of the Napier Deltic engine, which was loaned to British Railways for trial; this locomotive, a private enterprise development, is the most powerful single diesel electric locomotive in the world.

You will have read in the papers of the intention on the part of the British Railways to adopt the AC system as a national standard and your Company is well placed historically and technically to meet the needs of the AC programme. Our manufacturing capacity, our experience, our technical knowledge and our advanced research and designs are important not only to your Company but to the nation and we hope and believe that we shall receive orders placed commensurate with what we have created and achieved in traction over decades.

The output of 537,000 kW of Steam Turbines and their associated Alternators from our Rugby and Stafford Works is the highest so far achieved by the Company, and I am pleased to record that we have now received orders from the Central Electricity Authority for a further two 200,000 kW sets.

One of the most important contributions to this Company's future is a regular supply of able qualified men, and for that reason we have devoted considerable resources to training and education. We welcome the Government's recent White Paper as a recognition of the value of many of the ideas which we have pioneered.

Sir George concluded by saying that 1955 was a memorable year for him personally as it marked the completion of 25 years' service as their Managing Director.

The Report was adopted and a final dividend of 8½ per cent (making 12½ per cent for the year) was declared on the Ordinary Stock.

BROWN BROTHERS LIMITED

ANOTHER YEAR OF RECORD • TRADING

The fifty-ninth Ordinary General Meeting of Brown Brothers Limited was held in London on Monday, March 26, 1956.

Sir Richard Yeabsley, CBE, FCA, the Chairman, said: For the second year in succession I am pleased to report the sales of the Company and its Subsidiaries at a record level. The trading profit of the group amounted to £1,059,043, compared with £805,403 for the previous year.

The net profit for the year carried to the profit and loss appropriation account of the Parent Company, including dividends received from subsidiaries, after provision for taxation, is £328,389, compared with £256,798.

Appropriations recommended are a transfer of £165,345 to General Reserve, and an allocation of £5,000 to the staff benevolent and welfare fund.

The Directors propose a final payment of 10 per cent (less tax) on the issued Ordinary capital, which has been increased during the year by the issue of one fully paid share in respect of every two shares previously held. An interim distribution of 2½ per cent (less tax) was made on the Ordinary capital prior to this increase, and the total distribution on the Ordinary shares, amounting to £131,569, represents a rate of 11½ per cent on the present issued Ordinary capital of £1,961,280, or 17½ per cent on the former Ordinary capital of £1,307,520.

TRADING CONDITIONS

The normal expansion and development which has taken place in the various trades we serve, and the tendency throughout the year for prices to increase, resulted in the record sales to which I have referred. Towards the end of the year, however, there were signs that the steps taken by the Government, to bring about a reduction of personal consumption, were having the effect of checking the rate of increase in certain departments of our business.

We are today rendering a comprehensive service to the Motor Vehicle repairing industry by having available the vast range of accessories and components at our 31 branches throughout the country.

Our tyre departments have again shown a substantial increase, not only in sterling sales, but in the number of covers and tubes supplied.

In the cycle section of our business sales of components and accessories have been maintained.

I am also pleased to report considerable progress in our radio and electrical departments. Our metals division has again had a very successful year, and we have experienced an increasing demand during the year for the products of our aircraft subsidiary.

OUTLOOK

At this stage it is obviously too early to make any reliable forecast of our prospects for the current year. Sales in the first two months of the year have certainly shown further increases over the opening months of 1955, but there are positive indications that the action taken by the Government, to restrict spending, is having its effect. It may well be that we shall have the utmost difficulty as the year progresses in keeping up with the very high and possibly exceptional standards set in 1955.

The report was adopted

STANDARD LIFE ASSURANCE COMPANY

TRIENNIAL INVESTIGATION

INCREASED BONUSES IN NEW FORM

MR ALEXANDER HARRISON'S ADDRESS

The one hundred and thirtieth Annual General Meeting of the Standard Life Assurance Company was held in Edinburgh on March 20th with Mr Alexander Harrison, CBE, CA, in the chair.

The General Manager and Actuary having read the Auditor's report, the Chairman said: My Lord, Ladies and Gentlemen,

May I take it to be your wish that the Directors' Report, which is in your hands, be held as read?

In the first place I have to report some changes among our overseas Directors. Mr S. H. Banning, who had been a member of our West Indies Board since 1947, resigned on his retirement from active business life in Trinidad. We are very grateful to him for all the help he has given us and we wish him many years of happy retirement. In his place we welcome Mr George Wright, whose business experience and sound judgment will be of much assistance to us. In Uruguay our Board has been strengthened by the appointment as a Director of Dr German Rubio, who has already given us much valuable guidance in his medical capacity and whose closer connection with the Company will be greatly to our advantage. I should like to take this opportunity of saying how highly we appreciate the assistance we receive from our Local Directors both in the West Indies and Uruguay in dealing with the special problems which arise through our organisations there being so distant from Head Office.

RECORD FIGURES

For the tenth successive year we have transacted a record amount of new life assurance business. As you will see from the Report, the net total is £46,316,000, an increase of almost £6½ million over last year's figure. Included in this year's total is a sum of £18,059,000 of Group Life assurances.

Our premium income increased in 1955 to over £21,800,000, which exceeds by almost £2 million the figure for the previous year. In spite of the additional expense incurred by the larger volume of new business transacted and by the general rise in costs, we have succeeded in maintaining our expense ratio at last year's record low figure of 8.5 per cent.

The income from investments in our Life Assurance and Annuity Fund, which was £5,600,000 in 1954, exceeded £6,550,000 in 1955 and the net rate of interest which it represents has risen from 4 8s. 4d. per cent to 4 10s. 8d. per cent. In my remarks last year I pointed out that almost the whole of the increase in the rate of interest then reported was due to higher dividends on the Company's holdings in Ordinary Stocks. The same can be said today, and this cannot but be satisfactory in so far as it reflects greater efficiency and prosperity in industry generally. It is to be hoped that more and more will come to be realised by all sections of the community that industrial prosperity is something for which all should strive as all have a very real interest in it and, indeed, are ultimately dependent on it.

The figures I have quoted tell a story of vigorous and successful expansion to which all branches of our organisation have contributed. In the United Kingdom and the Republic of Ireland we have transacted a substantially larger volume of business in the face of keen competition without materially increasing our field staff and without in any way relaxing the high standards which we have always set in the selection of risks. I particularly wish to mention the excellent work done by our Staff Schemes organisation, not only in introducing new schemes but in arranging for the smooth running of those already in force. Many employers have paid tribute to the friendly and efficient service which our Staff Schemes Superintendents provide.

EXPANSION OVERSEAS

In Canada, not only were excellent new business results obtained, but further progress was made in building up our organisation for the future. In particular it gives me great pleasure, following upon my remarks a year ago, to report that in October a French-Canadian Branch was opened in the City of Montreal and a very encouraging start has been made in reviving our old connection with the French-speaking people. To accommodate our increasing staff, two new floors have been added to our handsome Canadian Head Office in Montreal, which now provides adequate modern office accommodation without sacrificing the appearance of dignity and age appropriate to an old-established Company. Our assets in Canada now amount to \$150 million and we are greatly indebted to our Canadian Board of Directors for their expert guidance in the management of this large fund which is suitably spread over enterprises covering all aspects of the Canadian economy, including mortgages on residential and business properties.

In the West Indies, our organisations in both Trinidad and Jamaica have made excellent progress during the past year. In Trinidad we have recently built, and in Jamaica we have purchased, new and well-equipped office accommodation to enable our staff to operate with greater efficiency and comfort. If, as is expected, the West Indian Islands achieve before long a satisfactory system of federation, we may see great developments in their economy in which this Company will be ready to play its part.

Our branch in Uruguay is smaller than in the other overseas centres, but it is no less efficient, and, in spite of the economic difficulties through which Uruguay has been passing, its results have been highly satisfactory. Here too our organisation has now been housed in new and more spacious offices.

The continued expansion of our activities throughout the world has resulted in an increase of £20 million in our assets which, as you will see from the Balance Sheet, now exceed £163 million. Last year I was able to report that at November 15, 1954, there was a substantial margin between the market value and the book value of our assets. In common with other institutions we have seen

during the year a considerable fall take place in the market values of certain categories of our holdings. It is therefore a matter not of formal statement only, but of real satisfaction, to be able to repeat to you the assurance which I gave you a year ago that the aggregate market value of our assets at November 15th last was again substantially in excess of the Balance Sheet total and this is still true despite the further fall in prices which has since taken place. In the meantime, our rapidly growing funds enable us to take full advantage of the opportunities for remunerative investment available in the changed conditions of today.

SAVINGS ARE ESSENTIAL

It is to be hoped that the measures which the Government has taken in recent months to combat inflation and to assist in restoring the balance of foreign trade will achieve their aims. In brief the Government has sought temporarily to reduce present consumption and to restrict new capital expenditure to projects of immediate national importance—or, in other words, to insist that, as a community, we must save more and temporarily slow down investment in new buildings, plant and machinery. It is assuredly in the interest of everyone to help the Government to defeat inflation now and one of the main ways of doing this is to increase the volume of savings set aside. In the long run, too, it is universally accepted that an increased level of savings must be achieved in order to finance the investment in modern machinery and equipment which will enable this country to maintain, let alone improve, its position as a great trading nation. Life Assurance, through individual policies and pension schemes, is such an important savings medium, that our outside representatives and agents can be satisfied that in selling our policies they are also carrying out a task of vital national importance.

LARGE SURPLUS AVAILABLE

From this general survey, I pass to the Triennial Investigation and the Actuarial Valuation of the Liabilities, the basis of which you will find set out in the Report. Without entering into technicalities, I may perhaps explain that, in its essentials, this basis is the same as that adopted three years ago. The financial changes which have taken place during this period make it an even more stringent measure of the Company's liabilities now than it was then, and the Directors are satisfied that it makes full provision for all the Company's contractual liabilities and that there remains a large surplus available for distribution.

BONUS DECLARATION

A year ago, the Directors, in fixing the rate of intermediate bonus, were able to revert to the rate of 42s. per cent with which the name of the Standard was associated so firmly and for so long before the last war, and it was then hoped that the results for the whole triennium would justify a declaration at the same rate now. When, however, the

final figures came before them, the Directors took the view that a declaration, even at this generous rate, would not give a sufficient share of the Company's prosperity to those of our members whose policies have been in force for a considerable time. They therefore decided to declare for each year of the triennium a reversionary bonus at the rate of 42s. per cent on the sum assured and attaching bonuses plus an additional 42s. per cent on bonuses attaching prior to the present declaration.

The longer a policy has been in force the more reversionary bonus will in general be attaching and under this method of distribution the greater will be the amount of additional bonus now allocated. This can best be illustrated by actual examples—

A policy for a sum assured of £1,000 effected fifteen years ago had £210 11s. of reversionary bonus attaching prior to the present declaration. The amount of bonus now added to this policy will be £89 11s., which is equivalent to an ordinary compound reversionary bonus at the rate of 49s. 4d. per cent per annum.

Similarly, a policy effected twenty-five years ago will now receive a sum equivalent to an ordinary compound reversionary bonus at the rate of 55s. 5d. per cent per annum and a policy effected thirty-five years ago, at the rate of 60s. 5d. per cent per annum.

IMPORTANT CHANGE IN METHOD OF BONUS DISTRIBUTION

I wish to emphasise that this declaration marks an important change in the Company's method of bonus distribution. Just as in 1927 the Standard changed its bonus system from a "simple bonus" to a "compound bonus," so now we are changing from

a "compound bonus" to what might be called a "compound compound bonus." The Directors have decided that intermediate bonuses will be on the same basis as now declared, and it is their intention that future declarations should be made in similar form, although it should be noted that, under the new system, there is no necessity for the "additional" rate to be the same as the "basic" rate.

Each year from 1927 to 1938 the Standard declared an annual compound bonus at the rate of 42s. per cent and my predecessors in the Chair were accustomed to state that they saw no reason why this rate should not be maintained for many years to come. The sequence of declarations was in fact broken, but only by the major upheaval arising from the second world war which brought many well-established orders to an end. As a result, it is even more hazardous now than formerly to assume the mantle of the prophet and, accordingly, you will not, I am sure, expect me to make any definite prediction regarding our rate of bonus for the future. I shall only say this, that the financial position of the Company is such that a declaration of bonus in the new form and at the new rate is well within its present profit earning power.

We are greatly indebted to all the Officials and Staff of the Company who have assisted in producing these excellent results; to our New Business Organisation for the excellent new business figures and to the members of our indoor organisation who have handled the increased volume of business with efficiency and skill. All have played their part in contributing to the results which I am happy to have been able to lay before you this afternoon, and I am sure you would wish me, on your behalf, and on behalf of the Directors, to express our warmest thanks.

ONE HUNDRED YEARS AGO

At the Annual Meeting of the Company held one hundred years ago the Chairman of the day presented the results of a quinquennial investigation into the Company's affairs. After he had reported, as I have done, expanding business, increased profits, and higher bonuses, he concluded with the words "Brilliant as has been the past career of this Company, the future on which we enter is still more encouraging and propitious." I can think of no better description of the financial position of the Company today.

I now move the formal adoption of the Report, Revenue Accounts and Balance Sheet submitted.

Mr J. C. Stormonth Darling, MC, WS, in seconding this motion, said:

My Lord, Ladies and Gentlemen,

We have just listened to a most remarkable story of success, a story which is all the more welcome as it is a reflection of the prosperity of British industry. The success of this Company is something of which we should all be proud and in which people from all walks of life can have a share. I could wish that the Chairman had been tuned into every office and factory in the country so that as many as possible would know that here in the Standard is the means of consolidating personal prosperity and safeguarding the family unit.

On behalf of the with profit policy-holders I should like to congratulate you, Sir, and your colleagues, on the evident success of the Company, and I now have much pleasure in seconding the adoption of the Report and Accounts for the past year.

The report and accounts were adopted.

ALUMINIUM LIMITED

INDUSTRY'S RECORD YEAR

GROUP'S RESULTS AFFECTED BY TWO UNEXPECTED ADVERSITIES

FURTHER EXPANSION PROJECTS TO MEET UNABATED DEMAND

The annual meeting of Aluminium Limited will be held on April 26th in Montreal.

The twenty-eighth annual report of the Board of Directors has been submitted to the shareholders by Mr Nathanael V. Davis, of which the following is an extract: The aluminium industry as a whole had a record year in 1955, reaching new high levels of production, sales and profits.

Aluminium Limited and its subsidiaries in Canada and abroad participated in the high levels of activity both in the fields of primary and semi-fabricated products. Consolidated earnings were above all previous years.

The company's production of primary aluminium in 1955 again increased and all available ingot and semi-fabricated products were readily sold. Throughout the year all markets served by the company were strong and aluminium products were often in short supply. Sales and operating revenues were \$412 million in 1955 compared to \$328 million in 1954.

Net income for the year 1955, after depreciation and dividends on preferred shares of subsidiaries, was \$48,193,952 or the equivalent of \$4.83 per share on the 9,975,690 shares outstanding at the end of the year. For the year 1954 on the same basis, net income was \$34,970,025 or the equivalent of \$3.87 per share on the 9,036,382 shares outstanding at the end of that year.

The results for the year were adversely affected by two occurrences which caused loss of production. The first was an interruption of power deliveries to the Kitimat smelter in the early part of the year and the second, a severe water shortage in the Saguenay area of Quebec in the latter part of the year.

The full impact of these adversities on the company and its markets cannot be precisely. Had operations been at capacity levels throughout 1955, production and sales would have been approximately 6 per cent above their actual levels with a corresponding or slightly larger increase in profits.

From the important viewpoint of serving our markets, the loss of production came at a time when demand from customers was exceptionally strong and the company was anxious but unable to meet their full requirements.

Unfortunately, the curtailment of production and deliveries has extended into the current year. Production in 1956 has been sharply cut as a result of the water shortage but it is expected that after the spring break-up in April, operations will return to normal.

Having regard for the lag between production and sales, the financial results for the first six months of the current year will be burdened with the loss of production sustained during the months before the spring thaw. The tonnage loss is estimated at 10 per cent of this year's previously planned production.

In spite of the company's record earnings last year, profits in relation to the assets now employed in the business are not large and leave room for improvement if the construction of new facilities is to be justified. Today the small production of aluminium at Kitimat cannot earn a return on the large investment

made in the hydroelectric facilities which have been, in large part, designed and built to provide for higher levels of production.

This is the natural result of the type and scope of the integrated programme undertaken at Kitimat. By the end of this year, with new and enlarged aluminium facilities coming into production, the Kitimat development is expected to reach a position where it will begin to justify the investment.

OPERATIONS

The company's principal subsidiary, Aluminium Company of Canada, Ltd., produced a record 607,700 short tons of primary aluminium during the year, an 8 per cent increase over 1954 and 11 per cent greater than 1953.

During the year the company authorised successive increments of expansion of primary production facilities. As the year closed the company's expansion programme in Canada embraced a total of 262,000 tons of new annual capacity.

Subsidiary and affiliated smelting companies outside Canada operated at highest attainable levels in 1955, and several expansion projects were advanced.

This year's bauxite production of various grades by the company's mining subsidiaries amounted to 2,450,000 tons in British Guiana, 544,000 tons in French West Africa and 518,000 tons in Jamaica.

The strong demand for semi-fabricated products noted towards the end of 1954 continued throughout 1955 with the result that the company's fabricating facilities, while restricted by the availability of metal supplies, had a satisfactory year with their total earnings substantially above previous years.

Concurrently with its investment in smelting facilities, the company has continued to modernise and expand its fabricating activities. In the United Kingdom, the modernisation of the sheet rolling mill at Banbury by Northern Aluminium Company, Ltd., has already made substantial progress.

Following the pattern of recent years, the consolidated sales of semi-fabricated products were about one-third the tonnage of sales of primary aluminium.

MARKETS AND SALES

In the aluminium industry as a whole, the year 1955 was characterised by widespread and heavy demand for aluminium and new record levels of production. Primary aluminium production in the Free World reached an estimated total of 2,852,000 short tons, an increase of 7.5 per cent over the 1954 rate.

This supply, coupled with some relaxation of stockpiling purchases in the United States, permitted consumption in the Free World to rise by an estimated 20 per cent over 1954, but large areas of demand in North America and abroad could not be entirely filled. This large demand was particularly apparent in the latter part of the year and has carried over into the current quarter of 1956.

Sales of aluminium in all forms and from all sources by consolidated subsidiaries of

Aluminium Limited amounted to 681,310 short tons last year and were 15 per cent above 1954. As in previous years, the principal markets served were the United Kingdom, the United States and Canada.

EXPANSION PROGRAMME

With continuing pressure of demand, the company announced during 1955 a further series of expansion projects which, if carried to completion in 1959 as presently planned, will increase its effective capacity in Canada to 912,000 tons of aluminium per annum, compared with 650,000 tons at the end of 1955.

At Kitimat the installed smelter capacity is planned to reach 330,000 tons in 1959. Of this amount, 180,000 tons are expected to be in operation by the end of 1956 as a result of smelter units with total capacity of 90,000 tons entering production successively in March, June and December.

Construction plans are well advanced, and sites are being prepared at Kitimat for the addition of approximately 30,000 tons of capacity in 1957, 60,000 tons in 1958, and 60,000 tons in 1959. In the latter year the installed generator capacity at Kemano would reach 1,200,000 hp, or the equivalent of the company's Shipshaw power plant in the Saguenay district of Quebec.

FINANCING

The creation of important new facilities has meant a heavy investment in fixed capital assets, amounting to \$554 million in the period 1951 to 1955 inclusive.

The implementation of the Kitimat expansion programme on an integrated basis, supplemented to provide certain additional ancillary facilities not previously included, is presently expected to call for capital expenditures of approximately \$180 million in British Columbia in the period 1956 to 1959 inclusive and a further \$55 million for related bauxite and alumina facilities.

Current expansion of smelter facilities in Quebec will require \$10 million in 1956. Expenditures on the foregoing major projects in British Columbia, Jamaica and Quebec are expected to be approximately \$95 million during 1956.

GOLD COAST ALUMINIUM PROJECT

The Preparatory Commission, appointed by the Governments of the Gold Coast and the United Kingdom in 1953 to study all aspects of the Volta River Project for the production of aluminium in the Gold Coast, completed its work in 1955. The Commission's reports are expected to be published shortly.

This project envisages the development of the power of the Volta River to support the production of an eventual 230,000 short tons of primary aluminium per year through the treatment of locally-mined bauxite.

Tribute is due to our personnel, all of whom—directly or indirectly—had an active and often trying year in dealing with the many facets of our business at a time of rapid expansion, production cutbacks, and heavy demand for the company's products.

THE NATIONAL BANK OF KUWAIT LTD.

ESTABLISHED 1952

Under Charter granted by H.H. Shaikh Sir Abdulla Al Salim Al Subah, K.C.M.G., C.I.E., Ruler of Kuwait

BALANCE SHEET as at 31st DECEMBER, 1955

LIABILITIES		ASSETS	
	Indian Rupees		Indian Rupees
Capital, Authorised, Issued and Paid up....	13,100,000	Cash and Balances with Banks.....	88,321,084
General Reserve.....	2,600,000	British Government Treasury Bills.....	86,178,450
Current, Deposit and Other Accounts (including provisions for contingencies)....	231,928,312	British and Other Government Securities (at under market value as at 31.12.55).....	10,127,110
Dividend Payable.....	1,048,000	Advances to Customers, Bills Discounted and Other Accounts.....	63,729,328
Profit and Loss Account Balance.....	319,660	Land and Buildings, less amounts written off	640,000
Confirmed Credits and Guarantees on behalf of Customers, as per contra.....	41,693,806	Liability of Customers for Confirmed Credits and Guarantees, as per contra.....	41,693,806
	<u>290,689,778</u>		<u>290,689,778</u>

KHALED ZAID ALKHALED
Chairman

AHMED SAOUD ALKHALED
Deputy Chairman

A. E. MEDLYCOTT
General Manager

London Correspondents:

Midland Bank Limited
Eastern Bank Limited
Chase-Manhattan Bank
Lloyds Bank Limited

New York Correspondents:

Irving Trust Company
Chase-Manhattan Bank
Bank of America

Correspondents in all principal countries

A COMPLETE BANKING SERVICE FOR TRANSACTIONS WITH KUWAIT

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

A VERY SUCCESSFUL YEAR

The One Hundred and Twenty-fifth Annual Meeting was held on March 15th in Edinburgh.

In the course of his remarks Colonel The Honourable David Bruce, Chairman of the Board of Directors, said:

The year under review has been not only an exceedingly busy one but also a very successful one. We have by a handsome margin achieved yet another record in new business. Net new Sums Assured completed in 1955 amounted to £5,918,983, an increase of more than £1,180,000 over the previous year's total. This increase represents a quite outstanding performance and reflects great credit on our outside staff. Our thanks are also due to our Agents for their continuing loyal support.

Our premium income in respect of the Life Assurance Fund again shows a substantial increase, being more than £225,000 above the 1954 figure. The net sums received in payment of purchase prices of annuities amounted to just over £280,000. It is very gratifying to be able to report that our gross interest income exceeds £1 million for the first time. The gross rate of interest calculated on the Life Fund was £5 19s. 5d. per cent and the corresponding net rate was £4 15s. 1d. per cent. The figures for the past three years are as follows:

	1953 Per cent	1954 Per cent	1955 Per cent
Gross rate ...	£ s. d. 5 8 0	£ s. d. 5 14 11	£ s. d. 5 19 5
Net rate	4 5 0	4 11 0	4 15 1

We can regard the steady increase in our rate of interest with considerable satisfaction. I feel, however, that I should sound a note of warning. You are all aware of the measures which the Government has taken in an endeavour to curb inflation and to help to solve the country's balance of payments problem. We have the "credit squeeze" and the exhortations to trading companies to adopt a policy of restraint as regards dividends. It is impossible to say to what extent these factors will affect our interest earnings, but we must, I think, anticipate some slowing down in the rate of improvement in future.

FAVOURABLE MORTALITY EXPERIENCE

Claims by Death paid during the year at £389,851 are some £70,000 more than the previous year. Despite this increase our mortality experience has again been very satisfactory—the results are only slightly less favourable than those of the two previous years which were extremely good. The sums paid under maturing endowment policies were about £50,000 less than last year's total.

Expenses and Commission together amount to approximately £335,000 and are some £18,000 more than last year, but, taking into account the increase in our new business and

the fact that inflation is still with us, the total can be regarded as reasonable.

As a result of the year's working the Life Assurance Fund has increased by over £1,440,000.

The principal changes in the Balance Sheet are, in round figures, an increase of £270,000 in Mortgages on Property in the United Kingdom and an increase of £280,000 in loans to our associate the Standard Property Investment Company Limited. Preference and Guaranteed Stocks have increased by £189,000 and Ordinary Stocks by £381,000. The total assets exceed £20 million for the first time.

Last year witnessed a general increase in the level of interest rates and in common with other similar institutions we experienced depreciation in the values of our fixed interest bearing securities. We have also seen since the beginning of the year some further depreciation, particularly in the values of Ordinary Shares. However, the margin between the market value of the Society's investments in Stock Exchange Securities and the amount at which they appear in the Balance Sheet is still substantial.

I have commented sufficiently on the Accounts to show that the Society continues to prosper. With a record amount of new business, a high rate of interest, favourable mortality experience and strong reserves, not only has this been a successful year, but the Society is well equipped to face any problems which may arise in the future.

The adoption of the Report and Accounts was carried unanimously.

Members from all parts of the world. In addition to our established products we exhibited equipment for use in the photo-lithographic field. There was also on show our "Rotomaton" simplified offset machine and the "Monophoto" photo-typesetting machine.

This latter machine has taken more time to reach the market than we would have liked, but we are determined to uphold our high reputation for quality and reliability in our equipment, and we have withheld "Monophoto" until we are convinced that this will be found to be in keeping with our earlier products.

I am happy to report a steady increase in the number of new installations both at home and abroad. The re-arrangements in Australia have now taken effect and our business there is being handled by our subsidiary company The Monotype Corporation of Australia (Pty) Limited. In the Near East we have been successful in obtaining a share of the business now available through development in an area where there is considerable scope for expansion.

In Western Europe, competition is increasing, but we have maintained our position with a steady flow of business. In Eastern Europe, we continue to supply such countries as Czechoslovakia, Poland, Hungary, Rumania and East Germany, where our products, for many years, have enjoyed a high reputation.

In India, the proposals by the States Re-organisation Committee to re-draw the boundaries, dividing the country into Linguistic States, should, if accepted, widen the demand for print. The resultant demand for vernacular scripts emphasises the need for a wide programme in the design and manufacture of matrices. We are prepared for this and, indeed, the number of new founts produced during the year was the highest in the history of the Corporation.

To meet growing demands in West Africa, we have established a branch in Lagos. This

THE ECONOMIST, APRIL 7, 1956

has resulted in a marked increase in sales in that area.

For the first time since the war, we have sent machines to Japan.

Our sister company in the USA—The Lanston Monotype Machine Company of Philadelphia—has now been under stable management for some twelve months, following the difficulties to which I referred in my last statement. The business there has already benefited considerably from these more settled conditions.

ACQUISITION IN LITHOGRAPHIC FIELD

Last year I referred to our increasing interest in the development of equipment for use in the lithographic field. In furtherance of this policy we acquired, in October last, the whole of the Issued Share Capital of Pictorial Machinery Limited, manufacturers of photo-lithographic equipment for the printing trade. Its products enjoy an excellent reputation.

Development work continues in patenting and developing improvements, including simplified offset machines. We have now ready for marketing a multiple-headed stitching machine known as the "Monotype" Boston Multiple Stitcher. This has developed from the successful "Monotype" Boston No. 7 Stitcher.

We are very conscious of the importance of holding our lead in technical progress and of maintaining the highest standards of design and manufacturing skill. We are building up our research and development organisation to ensure that prototype machines can be assembled expeditiously without adversely affecting the output of the factory and the service we give to our customers.

CURRENT YEAR'S PROSPECTS

In my view the current prospects of the Corporation are reasonably good. In making any forecast, however, we must not ignore the possibility that we may not be able to recover future increases in costs solely by increasing prices. The margin between costs and selling prices must be sufficient to cover an adequate appropriation to reserves, and a fair and equitable return to those who provide the capital needs of industry. Without this margin failure to meet the demands of buyers both at home and abroad must inevitably follow, to the detriment of everyone engaged in British industry.

The difficulties are mainly superimposed by outside conditions and are often due to the interplay of policies, economics, nationalism and currency problems. There is an urgent need for everyone to make more effort to combat existing inflationary conditions with their increasingly harmful effect on the country's economy. We, on our part, are doing everything we can to maintain our position in the export markets, and in fact approximately two-thirds of our production went overseas last year. For the first few months of the current financial year, I am glad to say, our level of orders is being maintained.

In the present difficult economic conditions, to which I have already made reference, we are fully alive to the requirements of our customers for equipment which can operate to best advantage with economy of effort and money, allied to excellence of product. We have this very much in mind in the development work which is going on.

The report and accounts were adopted.

THE VULCAN FOUNDRY LIMITED

SATISFACTORY RESULTS IN PERIOD OF TRANSITION

FUTURE PRODUCTION: EMPHASIS ON MODERN TRACTION

SIR GEORGE H. NELSON ON CHANGING PATTERN OF DEMAND

The ninety-third annual general meeting of The Vulcan Foundry, Limited, was held on March 15th in London. In his statement to the meeting, the Chairman, Sir George H. Nelson, Bt, FCGI, MIMechE, MIEE, said:

In my statement to Stockholders at the Annual General Meeting last year, I referred to the change which had then taken place in the control of the Company, by which we effectively became a member of the English Electric Group of Companies in March, 1955. In completion of this operation later in the year, by the English Electric Company transferring to The Vulcan Foundry their holding in Robert Stephenson & Hawthorns, the latter became a wholly-owned subsidiary of The Vulcan Foundry, Limited. I am glad to report that both Vulcan and Stephenson, as members of the English Electric "family," are already playing an important part in the activities of the Group, particularly of course in the field of traction, in which their long experience and tradition of craftsmanship is known throughout the world.

ACCOUNTS

I am pleased to be able to report that the trading results for the year under review show an improvement over those of the previous year. The group trading profits, after charging £54,350 for depreciation, amount to £628,502, an increase of £121,493. The provision for taxation on the profits of the year amounts to £294,397. The net profits, after transfer to Capital Reserve of taxation relief on investment allowances, and provision for contingencies, amount to £302,290.

The revenue reserves and unappropriated profits at the date of acquisition of the ordinary stock by the English Electric Company Limited have been transferred to Capital Reserve. Consequently, the profits available for appropriation amounting to £251,568 after deducting £50,722 retained by Robert Stephenson & Hawthorns Limited, are those of the year 1955 only. After allocating £100,000 to General Reserve, and providing £2,875 for the dividend on the Preference Stock, there is an available balance of £148,693. The Directors recommend that a dividend of 10 per cent less Income Tax be paid on the Ordinary Stock, absorbing £48,593, leaving a balance of £100,100 to be carried forward.

The Consolidated Balance Sheet shows an increase in fixed and current assets, and a reduction in current liabilities. This reflects the Board's policy of continual replacement of the fixed assets in order to improve the Company's competitive power. At the same time the liquid position has been strengthened, the net current assets having increased during the year by £202,654. The total Share

Capital and Reserves rose by £424,502 during the year to the figure of £2,757,444 at December 31, 1955.

PRODUCTION

The practical effects of the change in control have been manifest by the introduction of the manufacture of diesel engines at Newton-le-Willows to enable us to meet the world change of demand from steam to diesel locomotives. To this end, considerable alterations have been carried out in workshop layout and equipment, and production of these engines is now at an advanced stage.

There was little change in the pattern of locomotive production during the year as between steam, diesel, and electric types, but membership of the English Electric Group enables Vulcan's production potential to be closely integrated with that of other English Electric Works, to the undoubted advantage of customers. Steam locomotive production for the year included orders, all for export, for the East African Railways and Harbours, India and North Borneo. Electric locomotives were built for India and Spain, and diesel-electrics for the Gold Coast, Nigeria, Holland, and New Zealand. In addition, diesel mechanical locomotives were supplied to British Railways, New Zealand, and a number of other customers, through The Drewry Car Company Limited. I am proud to report that, during the recent visit of Her Majesty the Queen and HRH the Duke of Edinburgh to Nigeria, the Royal Train was hauled by two English Electric diesel electric locomotives, the mechanical parts of which were made and built at Newton-le-Willows.

FUTURE PROSPECTS

The demands of the future will be largely electric and diesel electric locomotives, but both at Vulcan and Stephenson we have retained capacity for the manufacture of steam locomotives, boilers and spares, for which orders continue to be actively sought in the face of very severe competition. The fact that few steam orders were booked during the year resulted, not from a deliberate change in policy on our part, but from our inability to compete with Japanese and "Iron Curtain" countries in our traditional markets such as India, where very substantial numbers of steam locomotives are still required. The volume of steam locomotive orders generally is of course affected by the increasing tendency of railways all over the world—including our own British Railways—to swing away from steam and towards diesel and electric traction.

As a member of the English Electric Group of Companies, the Vulcan Foundry has special facilities immediately available to enable the Group to meet with ease on time deliveries of any foreseeable demands that

THE MONOTYPE CORPORATION LIMITED

TURNOVER MAINTAINED IN COMPETITIVE MARKET

REPUTATION FOR QUALITY AND RELIABILITY

SIR GEORGE HARVIE-WATT ON NEW DEVELOPMENTS

The forty-eighth Annual General Meeting of The Monotype Corporation Limited was held on March 13th at 43 Fetter Lane, London, E.C.

Brigadier Sir George Harvie-Watt, Bart, TD, ADC, QC, MP (the Chairman), presided, and in the course of his speech said: Turnover has been maintained in a market which is increasingly competitive. The trading balance, however, shows a reduction of approximately 15 per cent and results in a net profit for the group of £130,932, after provision for all charges, including taxation, compared with £154,666 for the previous year. This difference resulted largely from (i) wage increases which raised not only our own direct labour costs, but indirectly put up the cost of the materials and the services we use, (ii) an increase in research and experimental work, and (iii) the International Printing Exhibition.

A large part of the increased costs was absorbed during the year. The engineering industry, however, has been subject to eight wage increases in the past ten years and this, coupled with recently renewed pressure, can only bring about an increase in prices. The serious effect on the national economy of these wage increases is the subject of constant reference by those concerned with the well-being of the country. This problem of rising costs, and the search for means to combat them by greater efficiency, is common to the whole of British industry, particularly that

part engaged, as this Corporation is, in competition in world markets. It is regrettable that repeated warnings on the current economic situation, necessary as they are, appear to be without effect.

The profit for the period dealt with in the Parent Company's accounts, together with the amount brought forward from the previous year, results in an available balance of £216,383.

CONSOLIDATED BALANCE SHEET

Turning to the Consolidated Balance Sheet, fixed assets, before depreciation, at £1,457,942 show an increase of £191,011 compared with the previous year. The larger part of this increase was spent on the building and equipping of our premises at Monotype House, 43 Fetter Lane. Notwithstanding this, our net current assets, at £1,548,742, are only £90,350 lower than the previous year. Our General Reserve now stands at £518,366 as a result of the proposed allocation of £50,000.

The Board recommends for your approval the payment of a final dividend of 7 per cent less tax, making 9 per cent less tax.

NEW PRODUCTS

The Corporation played an active and important part in the Tenth International Printing & Allied Trades Exhibition held in London last July when we welcomed custo-

are likely to be made upon them. These facilities are in existence with skilled and trained men available now. British Railways placed orders during the year with our parent Company in connection with their modernisation plan, but we have not so far been given any of this work. We feel sure, however, bearing in mind these facilities, and the trained and experienced people associated with them, which have been closely linked with locomotive building since their earliest days, that orders will be received at no great distant date.

WORKS PENSION SCHEME

To mark the 25th anniversary of my becoming Managing Director of the English Electric Company, in October of last year, certain improvements in the Pension and Life Assurance Schemes operated by that Company were introduced. I am pleased to say that at the same time, the opportunity was taken to initiate similar schemes for the hourly-paid workpeople of The Vulcan Foundry and Robert Stephenson & Hawthorns, from the beginning of the year. Their introduction will help to strengthen the stability and security in their later years of the workpeople which is the constant aim and desire of us all.

Finally, I would like to pay a sincere tribute to the Company's employees who, under the leadership of our Managing Director, Mr Collingwood, and the General Manager, Mr Rigby, have, by their readiness to adapt themselves to changing circumstances, and their hard work for the Company generally, produced such satisfactory results in a period of transition which might have otherwise presented many difficulties.

The report and accounts were adopted.

THE POWER-GAS CORPORATION LIMITED

The fifty-sixth Annual General Meeting of The Power-Gas Corporation Limited was held yesterday at Parkfield Works, Stockton-on-Tees, Major W. R. Brown, DSO, presiding in the absence through illness of the Chairman, Mr N. E. Rambush, DSc(Hon), MChemE, FRSA, and the Vice-Chairman, Captain A. H. Cowap. The following is an extract from the circulated Statement to Shareholders.

The Group profit before providing for Depreciation and Loan Stock Interest is £827,933, compared with £760,289 last year. This moderate increase is attributable to the expansion of our business. There is also a fortuitous addition to profit occasioned by a change in the accountancy date of the Rose, Downs & Thompson companies.

The total value of orders received during the year amounted to £10½ million. This is almost double the figure for last year and is a record in the history of the Group.

During the year three blast furnaces were completed and orders for three more were received.

A notable event was the setting up of a British record by the latest furnace to be built by the Blast Furnace Division for the Appleby-Frodingham Steel Company. Using a specially prepared burden of lean home ores, this furnace produced 11,160 tons of iron in one week, so surpassing by a large margin all previous records in this country.

The Report and Accounts were adopted.

At the subsequent Extraordinary General Meeting new Articles of Association were adopted by special Resolution.

THE SCOTTISH PROVIDENT INSTITUTION

MUTUAL LIFE ASSURANCE

REVIEW BY THE CHAIRMAN,

In presenting the Report and Accounts for 1955 to the 118th Annual General Meeting held in Edinburgh on March 13th, the Chairman, Sir Hugh Rose, Bart, TD, said that the usefulness and scope of the business continued to grow satisfactorily, the total net new sums assured at £9,672,383 being again a record and the number of new ordinary policies issued being 12 per cent greater than in 1954. Net premium income and net interest had each increased by nearly £1 million and the gross rate of interest earned on the funds, £5 16s. 3d. per cent, was 6s. per cent above that of 1954 and the highest in the Institution's long history.

Although claims by maturity had increased, death claims were lower than in the previous year and the mortality experience continued to be most favourable. The funds had increased during the year by over £2½ million and now amounted to £38,693,417. The assets comprising the funds were shown in the Balance Sheet at amounts which in the aggregate were substantially below their market values and the Directors were well satisfied that the portfolio was suitable in present circumstances.

INTERIM BONUSES INCREASED

In view of the very satisfactory results for 1955, and indeed for the whole period since the last quinquennial investigation, the Directors had increased the rates of intermediate bonus. Under the Institution's distinctive

System of very low rates of premium for whole-life assurances, the rates had been increased to 23s. 6d. per cent per annum, compound (Old Series) and 21s. per cent per annum, compound (New Series). For with profit endowment assurances the rate had been fixed at 42s. per cent per annum, compound, which was a most satisfactory rate when the very moderate premiums charged were borne in mind. He had no hesitation in claiming that such a policy afforded one of the most attractive propositions available at the present time.

Passing to a consideration of present economic conditions, the Chairman stated that the root cause of our troubles was undoubtedly that individuals had not been saving enough. Life assurance companies had been noted throughout the years for their constant emphasis on the need for saving. Saving through life assurance was as valuable to the State as any other form and its importance had been recognised by the tax relief allowed on life assurance premiums. The investment of funds arising from such premiums was not inflationary as the funds had been built up from voluntary savings which, but for the existence of life assurance policies, might well have been spent on consumer goods.

In closing his remarks, the Chairman made it clear that it was the constant endeavour of the Board to afford maximum facilities for effecting and maintaining the most suitable types of policies for members of this old-established mutual office and extended a special invitation to those with estate duty problems to inquire about a new form of policy recently devised by which, in the simplest possible way, full advantage might be taken of the means provided by law for minimising the duty payable. The report and accounts were adopted.

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SCOTTISH AMICABLE LIFE ASSURANCE SOCIETY

RECORD LEVEL OF NEW BUSINESS

SOCIETY'S LONG RECORD OF STABLE BONUSES

The 130th Annual General Meeting of the Scottish Amicable Life Assurance Society was held in Glasgow on March 21st, Sir ynden Macassey, KBE, QC (President of the Society), presiding.

In moving the adoption of the Report and accounts, the Right Hon. The Earl of Elgin and Kincardine, KT (Chairman of the Ordinary Directors), said that the year's net new business under individual assurances had exceeded £10 million for the first time and had shown an increase of more than 1,500,000 over the corresponding figure for 1954. Over the year, group life sums assured had increased by £4 million and deferred pension benefits by £1,500,000 per annum. Premium revenue, which amounted last year to almost £6,500,000, had increased during the year by £800,000 and, over the last quinquennium, by £3,750,000—an annual average of £750,000. Gross investment income had passed the £2 million mark and provided a gross return of 5 0s. 4d. per cent and a net return of 4 9s. 5d. per cent on the Society's funds,

which amounted to £44,500,000 at December 31, 1955. These funds had increased during the year by more than £5,250,000 and, during the quinquennium as a whole, by £20 million. The greater part of the past year's increment in the funds had been invested in fixed-interest securities on a long-term basis and on first-class security at very remunerative interest rates.

QUINQUENNIAL VALUATION

The quinquennial valuation as at December 31, 1955, had disclosed a surplus of £3,222,995 in the Life Assurance and Annuity Fund—after strengthening the basis of valuation of annuity contracts. A comparison of this figure with the surplus of £1,372,381 for the previous quinquennium provided another indication of the growth of the Society's business—and equally of the increase in profit-earning capacity—during recent years. The compound bonus of 42s. 6d. per cent per annum in respect of the past quinquennium was the highest ever declared by the Society—equalled on only one former occasion (1926-30). In respect of every year since the Society's foundation in 1826, a compound bonus of at least 30s. per cent had been declared—while, over the past half-century, the average rate had exceeded 35s. per cent. This long record of stability, combined with the Society's present prosperity, justified a high degree of confidence in its future bonus earning capacity under all the varied conditions encountered.

INTRODUCTION OF NEW POLICIES

A notable feature of the past quinquennium had been the introduction of several new types of policy designed to meet the changing requirements of the times. The Pension Assurance policy had been launched to meet the demand for schemes for the benefit of senior executives. This policy provided on retirement a pension in units of £100 per annum, guaranteed to be paid for at least ten years, and on death before the pension age a cash sum of £1,000 in lieu of each £100 of pension—with bonus additions to both the pension and death benefit, if effected on the with-profit basis. The Double Bonus policy had also been introduced—offering in effect two units of profit-sharing for each unit of basic assurance to any member wishing to double his participation in the Society's bonus prospects. The most recent innovation had been the with-profit group pension and life assurance scheme. The outstanding feature of this scheme was that the with-profit group policy was entitled to share in all the distributable profits of the Society, compound bonuses being added at the Society's normal rate of bonus. It thus enjoyed all the advantages of the Society's traditional bonus system—advantages which, as the result of the recent bonus declaration, had quickly become apparent in relation to the with-profit schemes already arranged with the Society.

The Report and Accounts were adopted.

BRADFORD EQUITABLE BUILDING SOCIETY

The annual general meeting of the Bradford Equitable Building Society was held at the Mechanics' Institute, Bradford, on March 5th.

Presenting the annual report and statement of accounts for the year ended December 31, 1955, the President, Sir A. Maxwell Ramsden, gave the following report:

The year 1955 has been one of many sharp contrasts. The income from savers and investors in shares and deposits has totalled £6,176,000, a figure higher than ever previously recorded. The peak period of the year was the first three months, but since that time the income from this source has been maintained month by month at a very high level. Withdrawals at the commencement of the year were normal, but they increased very considerably in the middle of the year, and continued throughout the year at a high figure, although not so high as during the months of June and July.

The continued high income shows that Building Society investments during the year continued to attract very substantial numbers of investors. The high rate of withdrawals shows the effect of the "credit squeeze," and the desire on the part of many to speculate on the Stock Exchange, and also an urge to indulge in private spending. There can be little doubt that inflation, or the fear of inflation, played its part in the Stock Exchange "boom" and in private spending.

Turning to mortgages, the removal of building restrictions late in 1954 opened up a strong surge of competition amongst Building Societies for mortgage business, and added some aspects which your Directors were not prepared to entertain. In the middle of the year the Society was in danger of being inundated with mortgage applications with which it could not possibly cope. Accordingly, restrictions on the acceptance

of new mortgage commitments had to be instituted, with very great regret, but your Directors were determined at all times to conduct the Society's affairs well within its capacity and this they claim to have done. Withdrawals were invariably paid out promptly, all mortgage commitments were completed promptly, and at the end of the year the Society was in a very sound position.

TOTAL ASSETS

The total assets of the Society at December 31, 1955, were £30,308,000, being an increase of £1,817,000 on the previous year. The principal items making up the figure of total assets consisted of Mortgage Balances £25,741,000, Investments and Cash Balances £4,360,000, and Office Premises £175,000.

On the other side of the Accounts, Shareholders' and Depositors' balances amount to £28,616,000, an increase of £1,711,000; Sundry Liabilities and Provisions £351,000 and Reserves, including Carry Forward, £1,340,000.

The total number of open accounts at the end of the year was 69,644.

SHARES AND DEPOSITS

A record number of 6,100 new accounts in the Investment Departments were opened during the year, and the number of accounts in these departments at the end of the year was 40,523.

In conformity with the change in interest rates during last year, the rates of interest to shareholders and depositors have been increased with effect from September 1st last, by ½ per cent, the new rates now operative being 3 per cent to Paid-up Shareholders and 2½ per cent to personal Depositors. The new rate to Monthly Subscription Shareholders is 3½ per cent. You will be asked to approve at this meeting a bonus of ½ per cent to

Paid-Up Shareholders Class I and to Monthly Subscription Shareholders. This is in addition to the rates of interest I have mentioned, and is the reward and incentive for regular thrift.

MORTGAGES

Mortgage activity has been somewhat restrained during the year, advances having been made to 3,502 borrowers. The total amount advanced was £4,853,000, a decrease of £903,000 on the previous year. The repayment of advances and interest amounted to £4,908,000, a slight increase on the figure of the preceding year, and the net increase in mortgage balances is £1,212,000.

Consequent upon the increase in rates of interest to investors, it was necessary to increase the rate of interest to borrowers.

INVESTMENTS AND LIQUIDITY

The total liquid funds of the Society in Trustee Securities and Cash at Banks and in Hand amount to £4,360,000, representing more than 14 per cent of the Society's assets.

PROFIT AND LOSS

The balance of revenue profit for the year was £107,281, after providing in full for interest and bonus on shares and interest on deposits, and also for the Society's liability for income tax and profits tax to the date of the Balance Sheet. Your Board recommends that £3,500 be appropriated to the Staff Superannuation Fund, £90,000 to the General Reserve Fund, £15,000 to Reserve Fund No. 2, and carry forward a balance of £14,995 to next year.

Management Expenses have increased slightly to nearly 11s. 2d. per cent of the total assets as compared with 10s. 11d. per cent of a year ago.

RESERVES AND UNDIVIDED PROFIT

The total reserves and balance carried forward, including Post War Credit reserves, amount to £1,340,000.

The Report was adopted.

Den norske Creditbank

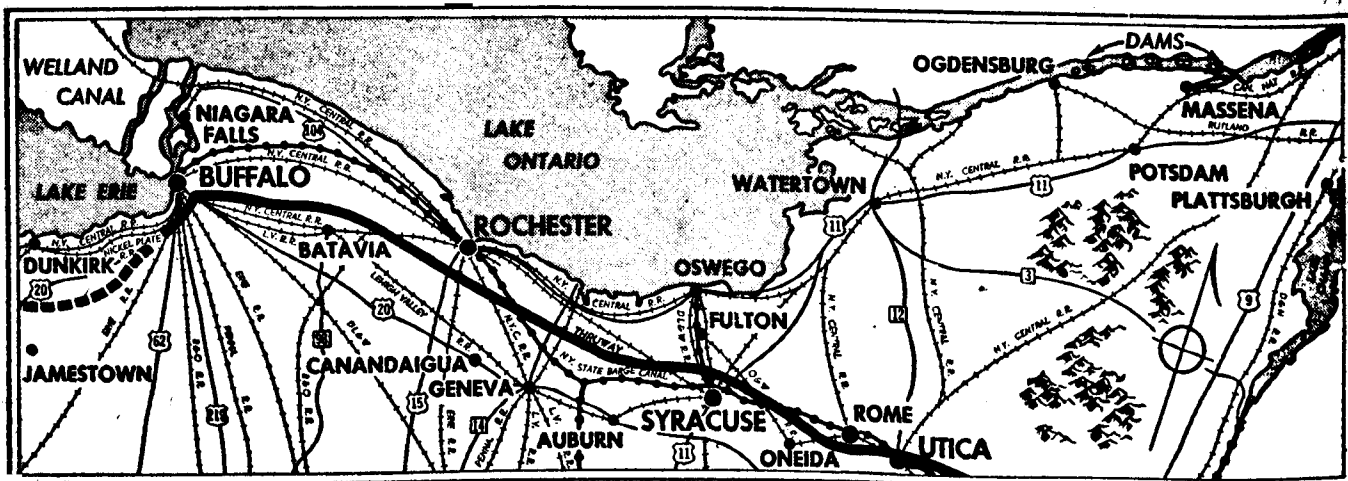
Established 1857

HEAD OFFICE, OSLO

18 Branches in the Provinces

BALANCE SHEET, 31st DECEMBER, 1955

ASSETS		LIABILITIES	
Cash in Hand and at Bank of Norway Kr.	139,307,814.01	Current Accounts..... Kr.	352,185,625.14
Treasury Bills.....	30,000,000.00	Deposit Accounts.....	520,517,135.88
Norwegian Banks and Savings Banks ..	71,369,728.80	Norwegian Banks and Savings Banks ..	97,439,187.35
Foreign Banks	73,964,334.08	Foreign Banks	50,812,981.51
Securities:		Cheques in Circulation.....	23,882,523.86
Government Bonds Kr.	20,613,880.35	Commercial Credits	47,808,380.47
Municipal Bonds ..	10,497,755.23	Clients' Accounts in Foreign Currencies ..	32,045,269.31
Bonds of Industrial Companies etc.	38,881,630.10	Interest for 1956 of Bills discounted..	3,624,045.81
Shares	9,392,122.46	Sundry Deposits	140,460,709.74
Mortgage Bonds ..	165,218,957.06	Share Capital, fully paid	36,000,000.00
	244,604,345.20	Reserve Fund.....	18,000,000.00
Commercial and Finance Bills	258,731,066.33	Fund for Taxes.....	6,000,000.00
Foreign Bills	4,977,976.65	Extra Reserve Fund.....	2,000,000.00
Advances to Customers and other Accounts.....	358,679,798.21	Balance carried forward to 1956.....	1,032,369.98
Clients' Accounts in Foreign Currencies ..	2,411,253.93	Guarantees Kr. 271,979,414.66	
Commercial Credits	41,086,549.88		
Bank Buildings	6,026,002.00		
(Total Assessment Value Kr. 9,251,000.00)			
In Account with our Branch Offices.....	6,564,038.61		
Sundry Assets	94,085,321.30		
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ONE SHILLING

A Middle Class Budget?

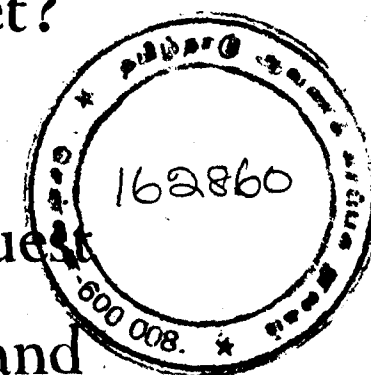
Beyond Gaza

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AMERICAN SURVEY: President Above Politics

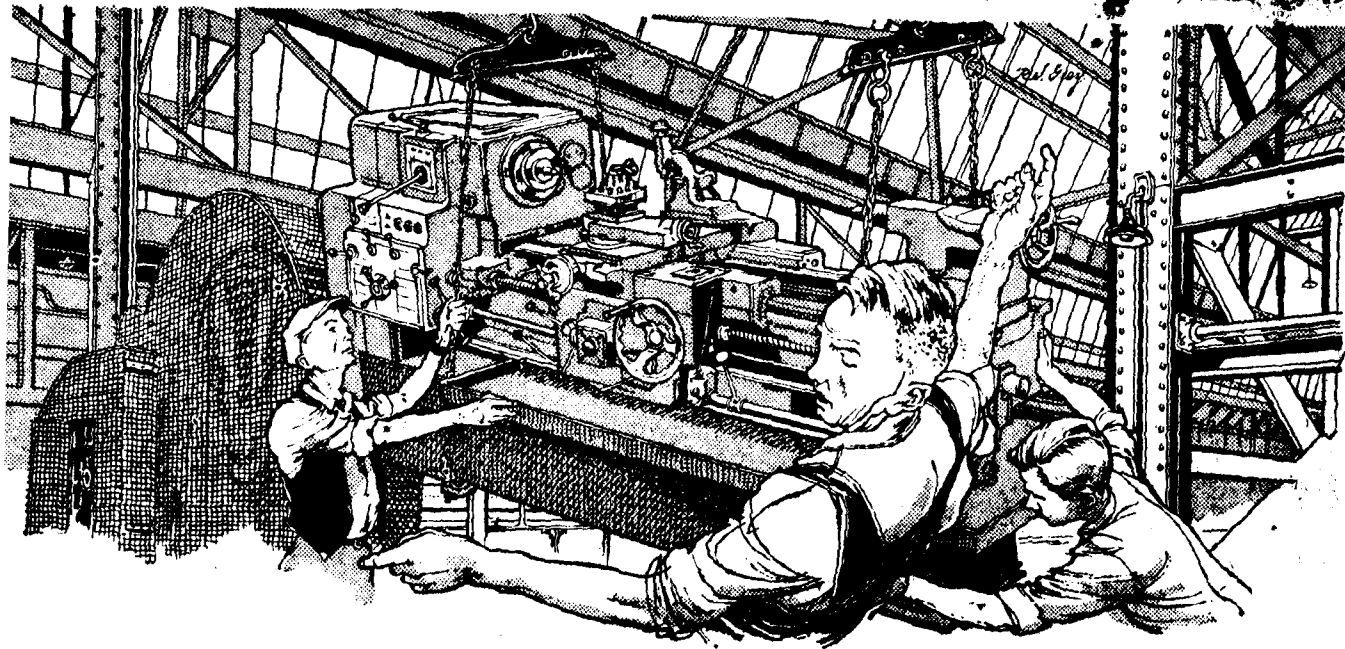
THE WORLD OVERSEAS: War Drums on the Gold Coast

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VOLUME CLXXIX · NUMBER 5877



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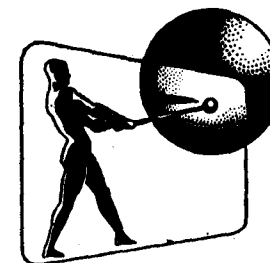
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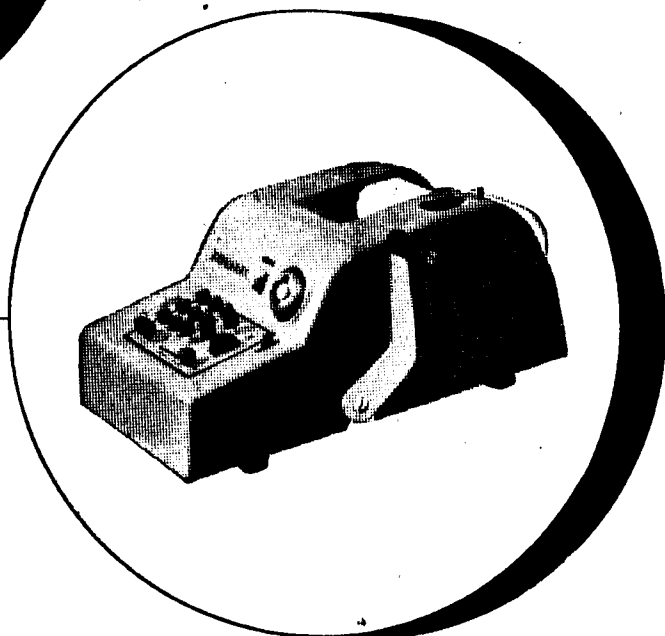


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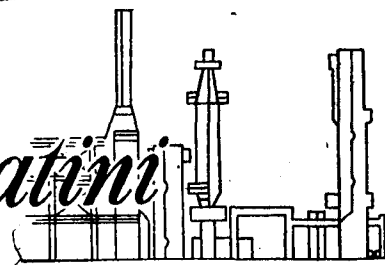
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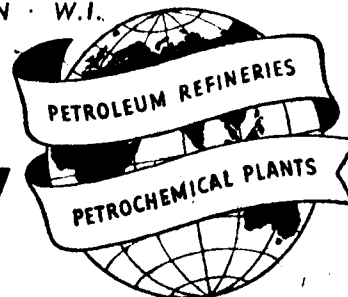
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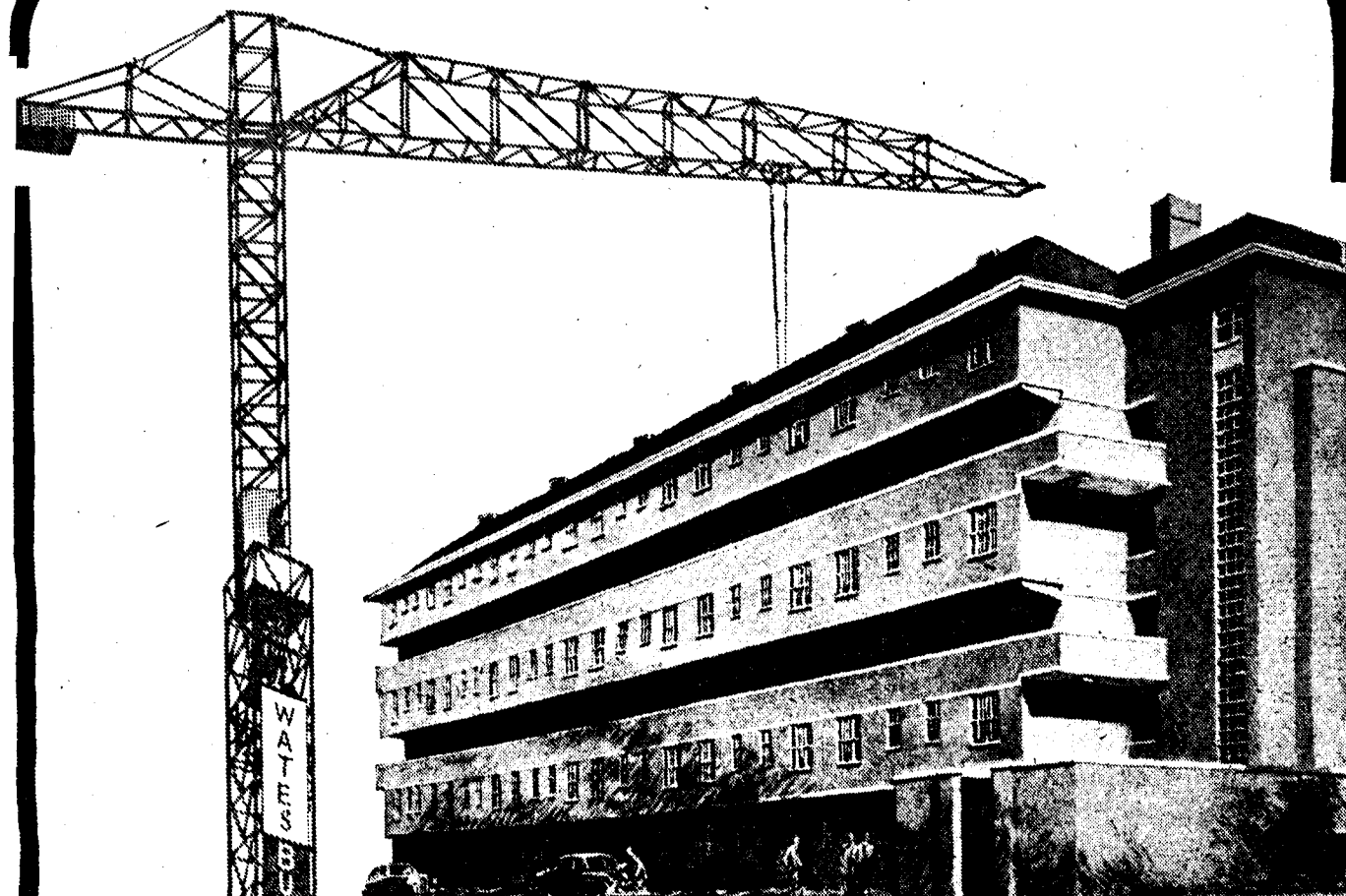
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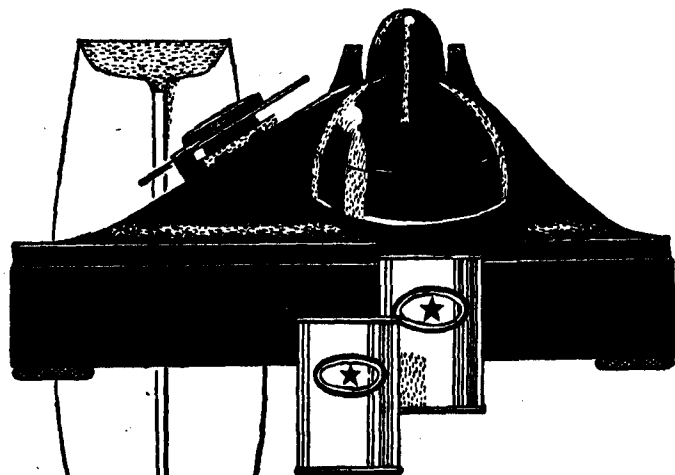
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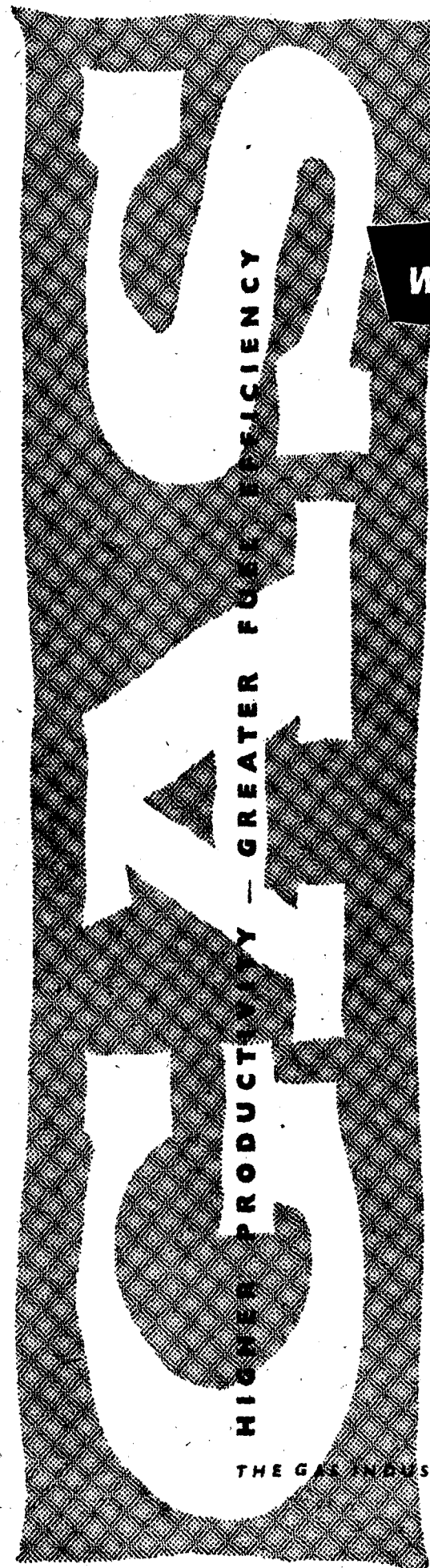
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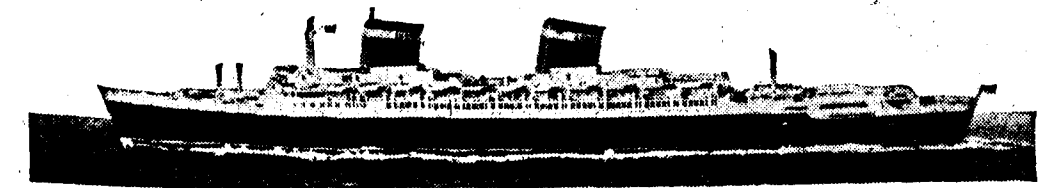
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United States Lines

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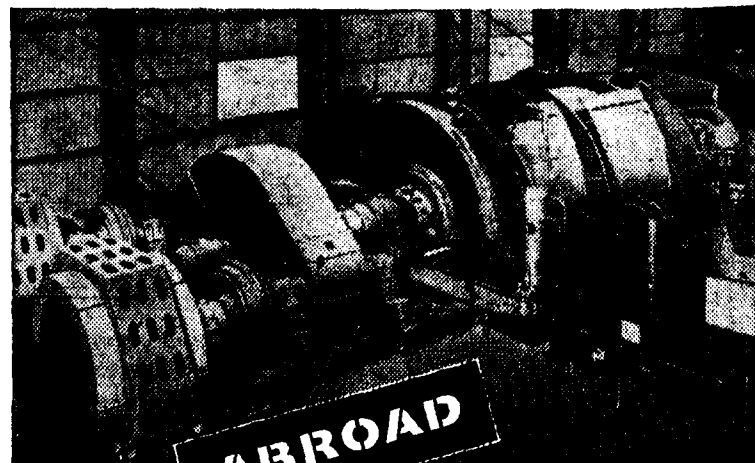
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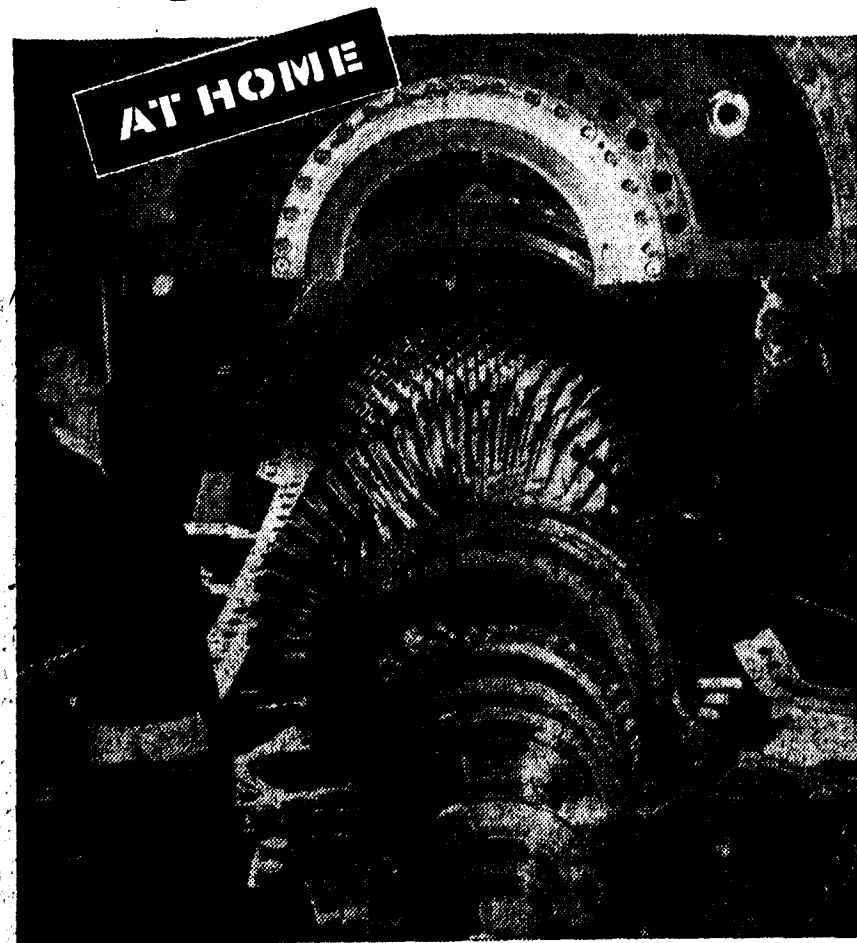
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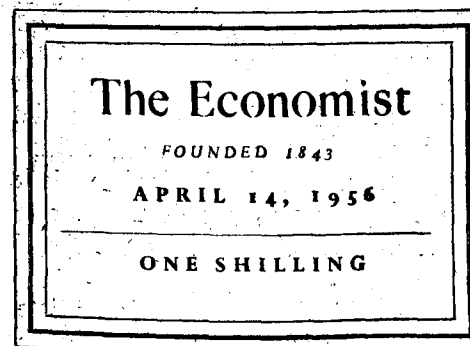
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Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

A Middle Class Budget?

WHEN the Chancellor of the Exchequer opens his budget next Tuesday he will face both a political and an economic problem; it is important that he should be clear about the nature of each. His first need, on both grounds, is to play safe with the economy. This has got to be a budget to end all budgets for another full twelve months; neither economically nor politically could Mr Macmillan afford in 1956-57 yet another presentation of the sibylline books. In terms of hard cash this means that he should use this budget for further tightening up unless he feels quite convinced that his emergency measures of last February are sufficing to restore balance to the economy. All that need be said now on this central issue is that, although it still looks as if Mr Macmillan will be doing enough by leaving his likely budget surplus intact, there will be no criticism in these columns if he decides to add to it.

But if his first need this year is to play safe, his second is not to lie doggo; whether or not he can afford a budget of no net change, he cannot afford one of no changes at all—even though the temptation to let sleeping political dogs lie will evidently be strong. His aim on Tuesday, if he is to produce a budget which, as well as coping with immediate economic necessities, is also to be the expression of a positive and stimulating policy, should be to take a number of existing burdens off, and then to put on an equal—or perhaps a slightly larger—number of new burdens in their place. What should these changes be?

It is easy to detail the burdens that ought to be taken off. The Royal Commission on Taxation has compiled a first list of them. Many of its more technical recommendations—which should make this Finance Bill fat with clauses—have the advantage that they would cost relatively little to implement; and the same is true of the more important "Millard Tucker proposals" for extending tax relief to the pension schemes of the self-employed (these reliefs would stimulate savings, not spending) and of the commission's own recommendation for assimilating the taxes on distributed and undistributed profits, together with company income tax, into a flat rate corporation tax. The third important piece of outstanding business from the commission's report, however, would cost the Chancellor a little money. This is the unimplemented part—what might be called the "middle class part"—of its recommendations for restoring the prewar balance of taxation in favour of the family man as against the bachelor or spinster.

The concessions that Mr Butler gave a year ago have more or less made good this balance for the poorer family taxpayers, but not for families with incomes above £1000 a year. The recommendations that remain to be implemented for them are that income tax allowances for children should increase with income (on the ground that the children of the better off have a greater part of net income spent on their upbringing); that the lower limit at which families

start paying surtax should be raised above £2,000 (the commission suggested by £160 for each child); and that earned income relief should continue on incomes up to £2,500 a year instead of stopping at £2,025 a year, with a new and graduated relief on incomes between £2,500 and £3,000. The details of the commission's proposals are not sacrosanct, and for this reason it is difficult to estimate their precise costs, but a significant step in the right direction could be taken at a net cost to the Exchequer of under £50 million a year.

These reliefs for the £1,000 to £3,000 family taxpayer should be the first priority for the budget—not solely or even mainly on grounds of equity, but because it is absurd to talk of a dynamic and expanding economy while keeping in being the most rigid barrier against incentives to work within precisely those income ranges into which the most dynamic elements of the working population should now be preparing to expand. If the Chancellor's view of the economic outlook is really sombre, it may be sensible to confine his reliefs to this royal commission limit, without introducing incentives lower down; for both political and economic reasons, however, it will be a pity if he does. The politics of such a "middle class budget" would be easier, and its economic impact would be smoother, if the changes appeared not as a mere gift to the salariat but as part of a more embracing idea; and the embracing Conservative idea that Mr Butler spawned, and that Mr Macmillan urgently needs to foster, is that of shifting the tax burden further and further away from a direct impost on work and towards an indirect impost on spending. For this reason, the Chancellor should consider adding to these "royal commission reliefs" at least one bold and generalised advance on the income tax front, even though he would certainly have to raise other taxes in compensation. Four years ago Mr Butler publicly proclaimed his desire eventually to raise the earned income allowance from two ninths to one quarter; it is estimated that to do this next Tuesday would cost about £80 million a year.

So far this article has been concerned with giving away more than a hundred million pounds which the Chancellor has not got. How could he get it? One's first inclination is to say that he should cut or abolish the remaining Government subsidies; but he is not likely to take a second bite at bread, milk or council house rents (and he has refrained from annoying the farmers already). One promised step towards realism, however, remains possible. Just as the most important and sagacious feature of Mr Butler's autumn budget was his announcement that the Minister of Housing was at last ready with a policy for council house rents, so Mr Macmillan could change the shape of this budget if he could say that the Minister of Housing has now decided what to do about private rents. If rent control is amended, but only if it is, it will be sensible to make householders pay more on Schedule A.

The easiest way of doing this would not necessarily be merely by levying Schedule A upon the new rating values, for these still assess private houses at 1939 values; the simplest statement is that at present rates Schedule A brings in £100 million a year, and it ought to be made to bring in at least half as much again. Although the gain from both rent reform and adjustment of Schedule A would not be immediate, their eventual impact would probably more than suffice to pay for the tax reforms recommended by the Royal Commission.

But Mr Macmillan would still need some immediate additional grist, and it is to indirect taxation that he must presumably turn. The field here is wide and complicated. An increase in the duties on tobacco or beer might lead to a more than proportionate fall in consumption—and thus actually give less revenue than before; although tobacco remains a candidate for consideration, there is probably a better case for raising the duties on wine and (possibly) hard liquor. The petrol tax is popularly supposed to enter into the cost of everything sold in the country; that, of course, is another way of saying that the burden of it is very widely spread—which means that it might be a very good tax to raise, though the Chancellor is not likely to appreciate this logic. If he wants to keep up the squeeze on the motor industry it has been suggested that he might rearrange the pattern of licence duties, but a more effective step here would be to withdraw the initial allowance on the far too many cars now bought on business account; it is surprising that this has not been done already.

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The biggest question mark over indirect taxation, however, is clearly the future of the purchase tax; some passages in the Economic Survey have suggested to some people that the Chancellor might want to use this weapon to take further action against spending on consumer durables. This would be a step diametrically in the wrong direction. The discrimination between products that the pattern of differing purchase tax rates embodies, and that Chancellors periodically try to accentuate, has been one of the fiscal banes of the last ten years; the goods that are said to be in over-demand today always seem to be those that are said to be in under-demand tomorrow. It was as a result of his recognition of this that Mr Butler let fall some wise words last autumn about his eventual desire to move from the discriminatory system of purchase tax to a flat rate and wider-based sales tax; although it would be impossible to do this in one bound, this may be the moment to take some preliminary steps in that direction—by putting on to the schedule of indirect taxation some things that are not taxed but ought to be. One obvious new candidate for the tax would be sweets, the last great item of sumptuary expenditure of which the Exchequer has so far failed to take note; if these were put on even the lowest rate of purchase

tax, and if the Chancellor adopted a wide definition of confectionery (including soft drinks), the Exchequer should benefit by over £50 million a year.

Two broad questions remain. The first will take time to answer; a White Paper on the Government's proposals for the reform of local government finance has been promised for the summer, and Mr Macmillan would be able to present a more coherent budget next week if he could announce that the implementation of this—it should aim at inducing local authorities to raise more of their own money without Exchequer grants, and should certainly include industrial re-rating—is to be hurried along. The second question is immediately urgent. It is how Mr Macmillan can encourage private savings. As a small contribution to this he should certainly increase the interest on post office saving banks deposits and announce a new issue of national savings certificates; the idea of a lottery element in the latter appears to have run into political veto. As a bigger contribution, however, might not new tax incentives, over and beyond the Millard Tucker proposals for the self-employed, be

devised for employee superannuation schemes? The object here should be to try to persuade employers and trade unions that the next round of wage claims might be concerned more with deferred benefits of this kind and less with immediate cash; if this campaign included encouragement for share issues to employees and other co-partnership concoctions, the Prime Minister would presumably regard it as none the worse for that.

It is clear that the Chancellor need not be short of ideas; the question is whether he is going to be short of courage. If his emerging budget surplus looks sufficient, he will be tempted to introduce a very quiet budget to avoid annoyance. It is important to urge upon him that he cannot afford this; he cannot afford it because this Parliament has now reached its psychological crux. Next Tuesday, or never, confidence that the Government has a sense of economic purpose will be regained and its reputation for imaginativeness revived. And here is a slogan for that sense of purpose in the Parliament of 1955-60: the earning of money is a good thing, and needs to be encouraged; the spending of it is the trouble, and that ought to be taxed.

Beyond Gaza

THE Egyptian-Israeli gun duel at Gaza last week was a display of the quickened tempers that prevail across the frontier now that the rate of armament of the two sides is unequal. Only a few hours before, the Security Council had voted unanimously to send Mr Hammarskjöld on a mission to get "improved compliance" with the armistice terms. The bombardment caused more civilian casualties than at any time since the Palestine war. Yet there is still no war. Mr Hammarskjöld's preventive mission is still of value, and long-term thinking about the Middle East continues to be worth while.

Until lately, there have been two deterrents to full-scale attack on the Palestine border. One has been the sprinkling of United Nations observers hurrying from danger point to danger point in their white jeeps; the other, the system of rationing arms on a basis of needs for legitimate self-defence, operated by the three western powers under their tripartite declaration of 1950. Today only the first survives. To be effective, the three-power arrangement presupposed the absence of any alternative source of arms. It was always liable to collapse as soon as someone adopted a policy that upset the balance; it grew shaky when larger supplies were offered to members of the Baghdad pact; it collapsed utterly from the moment when Moscow blessed the Czech arms deal with Egypt. Though the possibility of a Russian intrusion always existed, the three powers were thrown into such a flurry of consternation when control left their hands that they have since been unable to agree on a tactical course which, in 1950, they were ready to envisage quite calmly—"action," if need

be "outside the United Nations," to arrest permanent frontier violation. Nor, because they claim to fear an unending "arms race," have they seen their way to reinforcing Israel in face of the strengthened Arabs. They have therefore fallen back on Mr Hammarskjöld and his observers.

This resort will probably be adequate for the moment. Though the Secretary-General's mission started in such gloomy and inauspicious circumstances, neither side wants a war just now. (The Egyptian army, though trigger-conscious in the possession of new weapons, is not yet well trained in their use; for the Israelis, a victory in the Sinai desert would produce no spoils worth the price.) Mr Hammarskjöld believes in mending matters, patch by patch. By means of better frontier demarcation, followed, perhaps, by delimitation of a ribbon of demilitarised land along the frontier and a reduction of frontier forces, he hopes to produce a less stormy climate. But his mandate is limited; so, therefore, are his prospects. Given the tempers generated by the one-sided injection of new arms, it is doubtful whether his technique can produce any improvement on what UN effort has so far yielded: the limitation of activity to the level of perpetual skirmish, but short of war.

This objective is too limited to be lasting. What other deterrents are there? No doubt the Russian visitors to London next week will be asked whether, as earnest of their better intentions, they are willing to co-operate in controlling the flow of arms to this troubled area; for the moment it can only be recorded that trouble there is a Soviet interest. One possible move in the

same direction would be an attempt to transfer the arms rationing system from a tripartite to a United Nations machine. Such an arrangement, though likely to be only partially effective, would be better than what is happening now.

But if the Palestine situation reaches the point at which one side definitely wants war, then the one discernible deterrent that would be effective would be the certain knowledge that in the event of serious frontier violation a multi-national force would take the field on the side of the victim, as surely as it did in Korea. This is the importance of President Eisenhower's statement on Monday that the United States will "observe its commitments" to oppose any aggression and to help its victim. The statement could have been stronger and more precise; it ought to be a step towards asking Congress for the powers sought and given in the case of Quemoy and Matsu, but the old constitutional issue between the power of the President to order military action and the power of Congress to declare war still stands in the way. Action might in any case be hampered by doubts about who provoked the aggression or by delaying tactics in the Security Council. And the President is evidently walking warily for fear of the criticisms and hesitations in Congress.

Even so, it must be recognised that, provoked by the gunning at Gaza, he has gone a distinct way to jolt the west out of a phase of defeatism and passivity, by giving a lead (muted though it may be) that only the United States can give. It is again proof, in a region where proof is badly needed, that, however much the English-speaking peoples may bicker and seem to offer openings for Russian or Arab diplomacy to exploit the breaches between them, they cannot fail to be of like mind in a Middle Eastern emergency. The key question is the old one: Will the ground for common action be reached in time to avert an explosion?

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The foundation stone of Anglo-American agreement once set, it is reasonable to look beyond Gaza to the wider and longer-term problem of how to meet and parry Soviet advances into the Middle East in the civilian, social and economic field. A blissful era of non-competition ended in 1955. The new phase, which is likely to last, is one in which Moscow is ready to proffer Middle Eastern states all the advantages which up till now the West has provided exclusively—investment, grants in aid, long-term credits, technical assistance, construction at cut prices, training in universities.

The purpose of the campaign is obvious. Its twofold aim is, first, to surround the West with embarrassments and uncertainties in the area on which it depends for 80 per cent of Europe's oil supply; and secondly to protect the soft underbelly of Caucasian Russia against danger from neighbouring western alliances and bases. The only mystery about it is why it did not start sooner.

At least for the present, its strength lies in the fact that, offering a bounty, it asks a *quid pro quo* which is much more attractive in most local eyes than that traditionally asked by Britain; it requires, so far, mere neutralism, instead of alliances and military facilities.

Until now, the western reaction to this Soviet drive has been based on the assumption that economic penetration of underdeveloped countries by Russia must spell unadulterated disadvantage for the western competitor. Fear of the Communist propaganda that will inevitably accompany it, and of the political motives which are certainly at its back, have caused the West to think in terms of outbidding it everywhere, whatever the cost.

But this course is, in the long run, out of the question, even for the long purse of the United States. There are no means of preventing a Soviet commercial and economic drive, even if there were justification for trying. Measured in economic terms, the drive is negligible as yet; its significance is political. But behind it lies an economy that is expanding fast and that can already produce surpluses for export by dint of pegging and retarding the rate of improvements at home. Its ultimate expansion is inevitable, and the only course for its western rivals is to look on the bright side and to lay early plans for resilient competition, ranging from better goods for the money to a better welcome for the Asian trainee in Birmingham than in Tashkent. May not the West even derive some advantage if the Soviet Union, called upon to fulfil some of its offers, is forced out of the glittering role of *princesse lointaine* and into that (before the war reserved for Britain, but now also shared by America) of visible, detested benefactor?

Naturally the outlook would be much more pleasant if the long Soviet hibernation of 1946-55 had proved eternal. But it is not and could not be so. Developments that cannot be avoided must be lived with, and the western world must comfort itself with some pieces of reckoning that have yet to be proved wrong. One is that the capacity of Asia and Africa to absorb aid is inexhaustible; and that if Soviet roubles are for the first time to be sunk in investments far removed from the Soviet border, they may turn (as corresponding western investments have turned) into a guarantee that the new investor will become as interested in tranquillity and security as is the old. The other is that should the Soviets foot even a part of the enormous bill, the western powers may be free to invest their contributions more generously in the territories of people who share their view that Soviet totalitarianism is a threat to independence. Here is good news for the Colombo plan countries, for Latin America, for the British dependencies drawing on the Colonial Development and Welfare fund and, last but not least, for this week's meeting in Teheran of the economic council of the Baghdad Pact states.

Speeding the Paying Guest

AN American gentleman of means, who recently enquired what formalities were necessary to enable him to retire in Britain, was surprised to find that he could do no such thing. He could show that he could maintain an adequate bank balance regularly refreshed by dollar drafts, that his health was good, and his character impeccable. He was told that all this qualified him merely to come as a visitor for three months, with an extension at the immigration authorities' discretion; that such extensions would be virtually indefinite if he started a business approved by the Board of Trade or took a job which his employer could prove to the Ministry of Labour no British subject could fill; but a *permis de sejour* on the basis of a private income—certainly not! Unless, indeed, he could give or invent reasons why such a residence would benefit Britain; perhaps, it was tactfully suggested, he could submit a memorandum pretending that his residence here would aid Anglo-American relations. If he did not think up any such excuses, if he wanted simply to live on his dollars, he could be a transient and no more. Had he, of course, been a Canadian he could have stayed till death parted him and his dollars, and no questions asked.

This ludicrous story—not an isolated one—is the *reductio ad absurdum* of British immigration policy, as codified in the Aliens Order and administered by the Home Office. The basic philosophy behind it is that the country is over-populated, and that alien settlers compete for sustenance and house-room with the natives. It has several roots and a long history. The first impulse to closing the "open door" came from the working class; the first legislation in 1905 originated from agitation over the influx of Galician Jews into the east end of London. The Alien Acts of 1914 and 1919 followed; they give the Home Secretary the powers to make the orders which now control aliens in this country. They were last debated by Parliament in 1954, and MPs criticised the vast powers they confer on the Home Secretary, but failed to criticise their basic principle.

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Aliens knocking on our doors appear in various guises. They may be roughly classified as (a) the tourist or visitor; (b) the jobhunter; (c) the business man; (d) the political refugee; and (e) the *rentier*. The tourist, of course, is fairly welcome; at any rate a million now come annually, and the authorities are steadily reducing visa requirements. There is trouble over tourists in only two ways. The first is when the tourist proves to be a communist attending a "phony" type of peace or other conference; this, to the Home Office, is sneaking, and he is apt to be turned back at the ports. It is also sneaking to come ostensibly as a

visitor (or student) and then to try to get a job, thus edging into category (b); this also risks refusal of an extension of the visit. A visitor turned employee must prove that the job offered has come clean out of the blue; otherwise he will not be allowed to stay on in employment or to come back to take it up. Aliens may not come to Britain to spy out the land.

The rules about aliens taking jobs in Britain conform to the basic philosophy already described. Very broadly, to employ an alien, an employer must have a permit; to get it he is supposed to prove that he has tried to find a native who can do the job and has failed to find one. In practice, however, this means that the decision about employing an alien in a closed shop firm or industry is taken by the trade union concerned and is counter-stamped by the Home Office. It is a matter for the unions to decide even if Britons are unavailable (as with Italians in the mines). Most alien employees are in domestic service.

The foreign business man is treated as a visitor for business trips; if he wants to operate a business here, it must be of a kind approved by the Board of Trade as "adding something" to the country's economy, and on that basis the Home Office extends his visit regularly (though he must still abide by the conventional rules about reporting to the police at intervals). The political refugee is, of course, an exception to this demand for economic justification; perhaps for this reason the Home Office is thankful that such people can only get here by boat or plane. "The right to asylum," as now interpreted, is only the sovereign right of Britain to accord asylum to those who escape here direct from their persecutors; there is no obligation to absorb those who would rather take asylum here than in Western Germany, for example, in search of a better job. On this Home Secretaries are particularly firm.

If the special case of students is excluded, this leaves the *rentier*, like the American in our example. The formal rule laid down here is that Britain is not a country of settlement; as the March Hare said to Alice, the Home Office says to the foreign *rentier*: "No room! No room!" In theory, only those who can plead special hardships are allowed to settle here—usually only the indigent or sick relatives of aliens who are married to British subjects or who have jobs or businesses here. Those who have money to support themselves in comfort are not supposed to come, and fairness compels the Home Office to apply the formal rule to American (as to Arabian) millionaires; it would be wrong, Home Secretaries feel, for people to "buy themselves in." In consequence, the would-be settler with a desirable bank balance is asked—and some times helped—to prove that he is "adding to" the British economy in some other way. You may not buy yourself in; but you may fudge your way in if you have money and are of the right social group. The Home Office

does not make much secret about the reasons for this subterfuge. What it apparently fears is that a lot of Italians or Levantines might join their relatives, and batten on the country in some way. Even though the Home Office could catch them up if they should ask directly for public assistance, it is said that they must be kept out, for when living with their relatives they consume without producing. But this argument, once uttered, is then often immediately stood on its head; these people, it is said, are also constantly tempted to break the law about taking jobs, or getting the Board of Trade's permission to trade.

It is surely time that these arguments were subjected to proper examination. As they stand, they are often dangerous nonsense, when they are not pure humbug. They are dangerous because the law as it stands puts the decision on who shall stay and who must leave almost entirely in the hands of officials, without power to appeal to the courts. They are nonsensical because every case which is not settled on grounds of character seems to be settled on strange economic grounds, based on the obsession that a *rentier* living on his money here adds to the import bill, rather than to invisible exports. In fact, a large population of foreign millionaires living permanently in Bournemouth rather than Mentone would help Mr Macmillan appreciably. But the argument (if it really is seriously held) is also humbug be-

cause the door is wide open to the Commonwealth and colonies with a combined population of 600 million, a full quarter of mankind. If a few *rentiers* represent such a danger, that door should surely be closed too—and perhaps some politicians, even Tory ones, wish it was.

Despite the Aliens Order, and the bureaucratic scrutiny at the ports, Britain is, in truth, a hospitable country. The political refugees run into hundreds of thousands, and 35,000 aliens take up jobs and residence here annually. This is the more reason why the law, and its administration, should be re-examined. As it happens, the opportunity will soon arise. Britain is to ratify, as a member of the Council of Europe, a "Convention on Establishment," which binds signatories to give reciprocal rights to each other's nationals in matters of visits and residence. The vital article is hedged with the qualification that residence is subject to local "social and economic conditions"—a let-out which plays into the hands of the Home Office. But the Convention also sets up a standing committee to watch over its working; and if British MPs will not voluntarily face the illogicality of the present British immigration policy, it may be a good thing if the standing committee demands to know more about the "social or economic conditions" which Britain may invoke. It is welcome to any of the arguments offered here.

Rain and Shine for Finland

THE Finns must be reflecting ruefully that fate sends bad luck hard on the heels of good. In foreign affairs, the past winter has given them notable successes. Moscow's new determination to ingratiate itself with the free world has brought a shower of favours upon Finland. For the first time since 1939 the Finns can feel that the oppressive threat on their eastern frontier has been at least temporarily lightened. Dr Urho Kekkonen, who has been Prime Minister five times and was installed as President last month, may well be pleased with the policy carried out by himself and his predecessor, the venerable ex-President Paasikivi.

But while the sun has shone from Moscow, the barometer on the home front has been falling steeply. The grumbling quarrel between Finland's two ruling parties, the Agrarians and the Social Democrats, came to a head at the end of January; and this crisis was swiftly overtaken by the much more important crisis of the general strike, which broke out on March 1st—the day of President Kekkonen's inauguration—and lasted twenty days.

This was a gloomy omen for the new Presidency. True, it was possible to carry on some work in the forests, on which four-fifths of Finnish exports ultimately depend; horse transport—the most important way of moving timber in the winter—was not

affected by the strike. In any case, Finland's ice-locked harbours were able to handle very little traffic, and some exporters probably found that the stoppage of work brought welcome relief to their hard-pressed storage space. The effect of the strike on foreign trade would have been greater at almost any other season. But it will still have a serious effect on the year's production. Mr Fagerholm, who was runner-up to Dr Kekkonen in the Presidential election and has succeeded him as Prime Minister, estimates the loss to the national income at some £24 million. This is more than half the increase in consumption that might have been enjoyed if there had been no strike.

The damage goes deeper. The unions fought the strike on two claims: a flat increase of 4½d. an hour—or about seven per cent—to cover the recent rise in the cost of living; and further large rises, in some cases between 15 and 30 per cent, which they claim to be justified by the growth of productivity. In the end they got their 4½d., plus some additional increases which will on average probably come to only about three per cent. Yet the bulk of this extra burden is to be borne not by industry but by the treasury, which will cut company taxes and reduce the amount employers have to pay towards children's allowances. The result will be to swell the budget deficit still further. Since it would be asking too much of Mr

Fagerholm's political courage just now to expect him to increase other taxes, or to cut government expenditure drastically, this is bound to give a stimulus to inflation.

The settlement is likely to have a double effect on the economy. Some Finnish exporters already have a struggle to sell abroad; rising costs will push a number of them to the wall. Bigger wage packets will also mean a bigger import bill, although Finland still keeps half its imports under physical controls. The modest export surplus that the country has enjoyed in the last three years seems doomed to vanish. The upward pressure on prices at home will continue, particularly towards the end of the year, when Mr Fagerholm's temporary price control powers are due to expire. The Finns have not yet devised a satisfactory way of damping down inflation by monetary measures. Bank rate stands at 11 per cent, and the Bank of Finland last year took a number of special steps to tighten the credit market. Yet, in spite of these, advances by the commercial banks grew, and investment rose no less than 13 per cent over the previous year's figure.

All this has a disruptive effect on the country's political stability. The Agrarians and Social Democrats have been working together in coalition for 18 months, *faute de mieux*, but inflation lays bare their conflicting loyalties. The Social Democrats are chiefly interested in keeping down prices in the shops or, failing that, in seeing that the workers get compensatory wage increases. The Agrarians are more concerned to keep farmers' incomes in line with those in the towns; this tends to push up the price of food periodically. The alliance almost dissolved in January, when food prices went up sharply. Mr Fagerholm now heads a patched-up coalition; but the patches seem too skimpy to stand the strain if prices start to rise again.

When everything at home is so insecure, the Finns turn with some sense of relief to the international scene, governed for them by the new benevolence of the Russians next door. Moscow in the past half year might almost have set out to be the ideal good neighbour. The most obvious example is the sudden decision to evacuate the leased base at Porkkala, just outside Helsinki; but another gesture that appealed almost as much to Finnish hearts was the intimation, while Mr Paasikivi and Dr Kekkonen were in Moscow last autumn, that Russia would no longer object to Finland's joining the Nordic Council. The Finns have also been granted the privilege of being the first western country to fly an airliner service to Moscow, and have been given the benefit of an agreement under which Russian scientists and technical information will be made available to them in a number of subjects. A final titbit is the offer of television sets to pick up Communist programmes broadcast from Tallin on the Estonian coast.

Not even the ebullient Dr Kekkonen believes that

all this is tribute to Finland's own bright eyes. Moscow has its gaze on wider fields: on western bases, on Swedish neutrality, on the possibility of winking Iceland, and later perhaps Denmark or Norway, out of their Nato connections. But the campaign is being conducted with a delicacy unknown in Stalin's day. Except for the extension of the Russo-Finnish friendship pact to 1975, no obvious price label has been tied to the Communist concessions. Two or three times the Russians have informally suggested that Finland should recognise the East German regime "as a fellow Baltic state," or should join in joint sea-rescue arrangements with the Soviet Union; but the Finns have politely declined, and Moscow has made no complaint. There has been no repetition of the earlier attempts to draw Finland into the Warsaw Pact, or of the hints in favour of some kind of "Baltic peace pact" with Sweden.

No doubt the Russians hope to improve the Finnish Communists' prospects of one day taking part in the government again. One Agrarian paper recently mused on the notion of a popular front with the Communists; but this is still anathema to most Agrarians, as well as to the Social Democrats, whose trade unions kept the Communists completely out of the leadership of the general strike. By and large, Moscow is content to stay on its best behaviour and hope that all the Nordic countries will be duly impressed. This has important consequences for Finland. Diplomacy is confined to the limits of the possible, and during Stalin's time the Finns had to tread a very narrow path. But so long as the Russians choose to treat their country as the shop window of coexistence, they have far more room to manoeuvre.

It is now possible for the Finns to reaffirm the solidarity with the free world that most of them feel at heart. This had inevitably to be played down in the years when the most important thing was to appease the Russians. Dr Kekkonen is chiefly thought of in the West—and by many of his fellow-countrymen—as a man who "gets along" with the Russians, who goes frequently to Moscow and makes flattering speeches about the Soviet Union. Now that he is President, and the Russians are all smiles, he might consider turning his attention more to the free world. An invitation to pay a state visit to Britain, for example, would give him an opportunity to tap the great reserves of good will this country has for Finland.

The Finns are unlikely to forget that every silver lining has its cloud. They are still militarily impotent, should Moscow's mood alter; their engineering and shipbuilding industries still depend almost entirely on Russian purchases, though this factor grows less important as trade with the West expands; they must necessarily move with caution. But it is one of history's more pleasant twists that the tiny country which stood up to Stalin in 1939, and paid its reparations with such honourable promptness after the war, should be the first to gain real benefit from the Soviet change of front. Its main task now is to put its own house in order.

Notes of the Week

Arms and the German Question

ALMOST any form of thinking aloud about the future relations of the great powers is liable to stir up a ferment of opinion in west Germany, where political feeling is in a disturbed and sensitive phase. M. Mollet has aroused a controversy there with his thesis that the road to German unity may lie through an agreement on general disarmament. Did this mean (many Germans asked) that German unity no longer came first in the aims of western policy in Europe? If this were admitted, the pressure for an independent German foreign policy, pursuing the national aim of reunification by national means, would receive an extra impetus. Dr Adenauer called a meeting of his foreign policy advisers at Ascona in Switzerland, where he has been on holiday, and it was decided to approach the French Government with a view to talks. Dr Adenauer and M. Mollet are to meet, but not, as it turns out, until after the French prime minister has been to Moscow; in the interval there are to be talks between officials and between the two foreign ministers.

If M. Mollet's interview with *US News and World Report* (discussed in *The Economist* last week) is examined, his ideas on this particular point do not appear so different from some which Dr Adenauer has expressed on occasion himself. Thus the German Chancellor told foreign journalists in Bonn last February that the Russians would want some inducement to give up their occupation of their zone of Germany, and he found it hard to believe that anything less than a general agreement on disarmament would be inducement enough. Such a general disarmament would have to start with atomic disarmament and the control of atomic weapons, but it would include a reduction of the effective strengths of the Western European Union, which in turn would mean a reduction of the west German forces.

Naturally Dr Adenauer did not mean that disarmament ought to precede a settlement of the German question in point of time, but M. Mollet did not necessarily mean that, either: M. Mollet, like Dr Adenauer, was discussing the chain of negotiation, persuasion, and inducement by which the powers might hope eventually to regulate their relations, and with them the status of Germany. The Germans find other ground for concern in the Soviet disarmament proposals, which offer Germany an armed strength of 200,000—and do so without mentioning Germany by name at all; it is included by implication among "other states." The Soviet plan thus succeeds in leaving it obscure whether it envisages a single German state subject to that limit, or two German states, the Federal Republic and the German Democratic Republic, with armed forces of 200,000 each, cancelling each other out.

An Asian Switzerland

CEYLON's "swing to the left" is yet another demonstration of a well-documented phenomenon: in the absence of outside influence the leaders of Asia's former colonies tend to be both socialist and neutralist. The leader of the victorious People's United Front, Mr Bandaranaike, has indeed shown both tendencies in his election speeches: he has preached nationalisation and non-involvement, and has declared his desire to turn Ceylon into a republic.

Even if Mr Bandaranaike carried out his threats or promises without delay, he would not be breaking new ground. India and Pakistan, the other Asian members of the Commonwealth, are both republics, and India—which invented "non-involvement"—has made nationalisation one of its instruments of policy. In fact, as soon as his victory was evident Mr Bandaranaike began to make reassuring sounds. There would be no precipitate action, he said, to institute a republic; and he had no dogmatic views about membership of the Commonwealth. The government would buy out "foreign" owners of tea and other plantations; but he would not move too fast and full compensation would be paid. (The effect on London share values is discussed in a Business Note on page 177.)

From the international point of view, the neutralist side of Mr Bandaranaike's policy is even more disturbing. Ceylon's new premier sees his country as an Asian Switzerland and intends to raise with Britain the question of the British naval and air bases at Trincomalee and Katunayake. In themselves, these bases are not of the first importance, but their loss must increase dependence on Singapore—the future of which has begun to appear still more perilous than Ceylon's. The spread of neutralism in Asia is indeed a challenge to western policy-makers; and it is ironical that comfort has to be sought in the fact that Mr Bandaranaike's electoral allies are trotskysts and not Moscow-brand communists.

Whose Favourite Son?

THE Labour Party treasurership is becoming the main annual battle ground between Left and Right. Although nominations do not close for another four months, and the ballot itself is six months away, there are already three candidates in the field—Mr Bevan, Mr George Brown and Mr Charles Pannell. Mr Pannell has been nominated by his own Amalgamated Engineering Union; after being split so long and so often on the Bevan issue, the AEU has

apparently decided that the easiest road to internal peace lies through the American device of the favourite son. Although Mr Pannell will certainly not win, his entry is by no means derisory; he is a salty wit with wide contacts among the older members of the Labour movement, and as a party spokesman on local authority finance can at least claim to recognise a balance sheet. He will probably pick up a few more votes both from unions and constituency parties and in all he may get between 15 and 20 per cent of the total poll.

Which of the two bigger candidates will benefit from the diversion? Mr Pannell is personally well right of centre, and his constituency votes will come from Mr Brown. But these will not be more than 50,000 or so. The 635,000 he is picking up from the AEU would otherwise almost certainly have gone to Mr Bevan. The other big unions have still to declare themselves but Mr Brown will presumably get the votes of his own Transport and General Workers, together with the Municipal and General Workers. Against such a Right Wing opponent, Mr Bevan is expected to get the votes of the miners, the railwaymen and the shop workers, together with the lion's share of the constituency votes. On this reckoning the engineers would have made his victory certain; without them the result is bound to be still in the balance.

Much of the centre, as well as the left, of the party would like to see Mr Bevan get the job. He is currently passing through one of his spells of good behaviour. His recent speeches on colonial affairs have been restrained, even mellow. Mr Brown's precipitate dash to get his constituency to nominate him is seen by many as a brash and unnecessary move to reopen the party breach just when it showed signs of mending. At the moment Mr Brown is probably doing his long term prospects more harm than good, but no doubt he is betting that sooner or later Mr Bevan's halo will slip; on all past performance, Mr Brown is on a good thing here.

A Lead from the Post Office

THE Post Office is Britain's senior nationalised industry; it has experience in handling political situations that might make its junior sisters—not least British railways—mouths water. Faced with an increased bill of costs of £20 million, £15 million of it resulting from successful wage claims, it has jumped in with a proposal for increased charges without prompting. It has also evolved two principles of charging which, if they are logically followed, can do nothing but good: costs should be remitted to the consumer at once and the services that are incurring the loss should bear the increase if they can.

The new charges to take effect in July should be measured by those sound standards. The letter post at 2½d. has been left unchanged. It would have been simple to charge 3d., but the service shows a profit of £10 million a year on an outlay of £44 million at 2½d.; on paper it would break even at 2d. Postal orders have been spared; they yield a profit of £750,000 a year. The Post Office has thus set about collecting from everything else except the telegraph, which cannot make a profit at any scale of charges. Printed papers, newspapers, the registra-

tion fees, registered envelopes, inland money orders, and inland parcels all bear an increase. Telephone charges for local calls for subscribers will go up from 2d. to 2½d., while the call-box charge will rise from 3d. to 4d. next January, once a machine that will distinguish between four light pennies and three new ones has been introduced.

	Cost £m.	Deficit £m.	Extra Revenue £m.
Inland Printed papers.....	29.5	3.6	3.9
Inland Newspapers.....	2.0	1.7	0.2
Inland Registration.....	6.4	3.5	1.7
Inland Money orders and COD Fees.....	2.4	1.1	0.3
Inland Parcels.....	Not Fixed		1.0
Local Telephone Subscribers..	37.6	6.3	4.9
Local Telephone call office ..	9.6	3.9	2.1
Trunk Calls.....	In surplus		Not Stated.

The table shows the amount to be raised and the current loss on the services affected. The incidence of the new internal newspaper rates will be uneven; it appears at first glance that, while *The Times* on present size will be little affected, *The Economist* in most weeks will incur a penny of extra postage. Nevertheless newspapers are still in receipt of subsidised postage, and it should not be forgotten that the empire press cable rate of one penny per word has not been altered and is subsidised even more heavily. If there is ground for criticism it lies in the decision to raise sharply the charge for trunk calls (including the cheap evening rate) when these are still showing a profit and to leave telephone rentals alone because they have recently been moved but are still showing a loss. The Postmaster-General did not disclose the trunk call costings as he did most other parts of his charges, but it seems clear that trunks (thanks to the coaxial cable) still yield a profit, probably of the order of £13 million a year.

The net result of the whole operation is moderately logical. On an incomplete year the post office (after making its £5 million contribution to the Treasury in place of taxation) aims to save £3 million by economies, to cut its estimated working surplus from £5 million to £3 million, and to raise £15 million from extra charges. Those charges should raise rather more in a full year and the surplus should be comfortable again in 1957-58. But on the basis of £15 million of new revenue the posts should show a deficit of £1 million, the telegraph a loss of £3½ million and the telephone a profit of £7½ million.

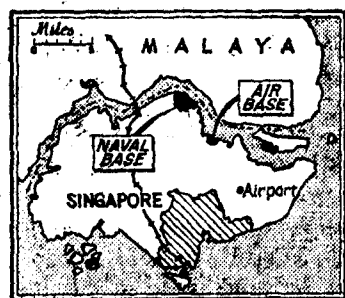
Talks on Singapore

IN a week's time the all-party delegation from Singapore led by the Chief Minister, Mr David Marshall, will arrive in London to work out a new constitution to give the island what is described as "independence within the Commonwealth." It looks like being a trickier conference than most of those held recently on colonial advancement. One reason lies in the inherent difficulties of the proposals which form the common measure of agreement between the Singapore parties, in which Mr Marshall's Labour Front is a minority coalition. Another is the deterioration in law and order in the island since Mr Marshall came to London in

December to discuss the agenda for the approaching negotiations.

He professed himself at that time highly satisfied with the assurances he received, which in some cases went beyond his hopes. He conceded that he met readiness everywhere to grant self-government that would satisfy Singapore's aspirations. But after a triumphal return he suddenly detected a "cooling" in London's attitude, began attacking the local European "colonialists," and launched himself on a campaign of demonstrations and mass-meetings which boiled over at last into rioting. He must have known that in all this he was playing the game of the extremists, and notably of Mr Lee Kuan Yew, the leader of the People's Action Party, who disavows Communism, but whose relationship to the Communists has been felicitously defined in the observation that he has more friends among his enemies than anybody in Singapore.

A sense of insecurity now pervades all the communities in Singapore, even many of the Chinese; yet the preservation of internal security is the crux of the forthcoming discussions and is the key to the formula which Mr Marshall has evolved to reconcile British (and Seato) interests in the naval base with *merdeka* on the Malayan model. This is that Britain shall have "concurrent but paramount" responsibility for Singapore's defence and external relations—other than in trade—and that this shall carry with it powers to restore law and order in the city if the otherwise independent local administration should lose control of them. The local government would control the police and the local gendarmerie which Mr Marshall wants to raise, and be responsible for law and order in the normal way. This safeguard in the last resort might commend itself if the local administration had shown itself capable of calming and controlling local passions in the last few months. But it has, rather, demonstrated the danger that



the safeguards might have to be invoked soon—especially if there were a change of government towards the left. The example of Ceylon will be in the minds of the British negotiators when they discuss the security of the base with Mr Marshall and his colleagues. The base is useless if there is no internal security; but a safeguard which might amount to permission only to try to reconquer a well-organised and hostile Chinese city is not a very reassuring prospect.

Morocco Bursts More Bonds

It is a long way from exile in Madagascar to the point on the boundary between French and Spanish Morocco at which the Sultan Mohammed V symbolically cut a boundary ribbon last week, yet he has covered the ground in under six months. His way led through Paris and Madrid, in each of which he secured "mutual declarations" that the two Protectorate treaties of 1912 are out of date, and that Morocco is a sovereign and independent state. Even in this age of speed, the wheel of fortune has seldom spun faster.

As if to show that General Franco has not simply copied a French precedent, the Spanish agreement signed last week is slightly different from its French counterpart of March 2nd. It is a little less specific and does not mention a word



of French coinage—"interdependence." Both the Sultan and the cabinet took French advisers in the large delegation that accompanied them to Madrid; of the two ex-protectors, France will play the senior role.

Both declarations provide in protocols for a sequel in the shape of detailed negotiations between equal partners on the many outstanding points at issue. Those with France are in progress; those with Spain will begin on May 7th. Some of the matters outstanding are so delicate as to have escaped mention: for instance, what is to happen to the *Presidios*—the five almost purely Spanish towns on the African coast, of which Ceuta and Melilla are the largest, over which Spain enjoys complete sovereignty? What is to happen to the Moroccan troops in the French and Spanish armies? What is to happen to Ifni, the small coastal enclave within south French Morocco which Morocco ceded to Spain in 1860? Lastly, what is to happen to Tangier? This third, neutralised and demilitarised, zone of the Moroccan empire presents wider problems because it is managed by a committee of control under a statute to which nine powers are party. There is a hunch, amongst its heterogeneous population, that here too the Sultan will soon burst from the cocoon of treaties that limit his independence. An indicator of local expectations is the figure for gold deposits in Tangier banks; Tangier is a free gold and money market. In 1953—the year the French exiled the Sultan—there were 52 metric tons of gold there; by the end of last year the figure had dropped to 30 tons. Export to safer havens continues.

Eggs Before the Public

THE public inquiry into the egg marketing scheme is due to end this week. The commissioner's report will now be submitted to the Minister of Agriculture, but nobody except the Minister will be allowed to read it. If this report were decisive or even important, there would be reason to get very worried about the rules under which this sort of inquiry is conducted. The National Farmers' Union with its battery of counsel sat in the body of the court, well primed to defend its proposed monopoly; the organisation of the courageous but scattered objectors—almost unprecedently, there was some organisation—was bound to be amateur by contrast, and some of the objectors inevitably made rather fools of themselves. The revelation during the hearing that the impartial commissioner who was to judge the case was himself a former member of the NFU—although he had resigned in order that he "should not be subject to the receipt of any literature from the union during the course of the inquiry"—was not, of course, as

alarming as some newspaper stories have tried to hint; but it does serve as a wry comment on the whole system behind these hearings.

But all this, in the immediate context of the egg scheme, does not really matter. The bald fact is that the commissioner's report is not going to be a major influence on the Government's decision; politics will be more important. Even if the NFU honestly believes that the way to cut costs is to cut out competition, and even if the commissioner should swallow this, the Ministry of Agriculture has known the uncomfortable economic truth about this scheme from the start. It has recognised all along that if the subsidised eggs sent through the NFU's packing stations prove to be better value than the fresh and unsubsidised farm egg, then the union will not need a monopoly to get the public to buy them; and that if they prove worse value, the monopoly will be a dangerous and expensive restrictive practice.

Why, then, has the Ministry allowed the project to proceed thus far? The answer, of course, is a political bargain, explained partly by the low price of eggs just before the general election, and partly by the Ministry's established policy of countenancing certain economic peccadilloes in return for NFU co-operation (well, something rather less than co-operation) in other matters, particularly the free market in fatstock. That is why the surprising publicity aroused at the public hearing of objections to this tentative bargain, a hearing which was originally envisaged as a mere legal formality, has been so important. The Minister has been given reason to wonder whether what the Government had regarded as a political expedient would be politically expedient in fact, and this is a point of wider importance than this mere matter of eggs. The Society of Objectors to Compulsory Egg Marketing, however comic its name and some of its allies' antics, may yet prove to have struck a reverberating little blow against pressure group bargaining within a democracy. It deserves thanks and congratulation, and a widespread hope that its immediate objectives will be attained.

Of Caucuses and Cranks

THE need for more democracy in the Labour Party is such a good tune that it is a pity it is being left only to very left wing MPs; they are, however, making rather a hash of it. Their latest organ is the "Victory for Socialism" movement, with which upwards of half a dozen Bevanite and near-Bevanite MPs are associated. The aims of this movement, as set out in a pamphlet and amplified at a public meeting last weekend, are to "reform" both the Parliamentary party and the annual conference. The pamphlet suggests that the Parliamentary party's meetings on policy (but not on tactics) should be thrown open, and that Labour MPs should have to report back to their constituency parties on how they vote. At the annual conference it proposes that trade unionists should be able to vote in their constituency parties as well as in their unions, and that block votes should be split so that minorities could be counted in.

The idea of offering trade unionists two votes is adroit, but the general theme reveals all the usual left wing misconceptions. "Victory for Socialism" would, in effect,

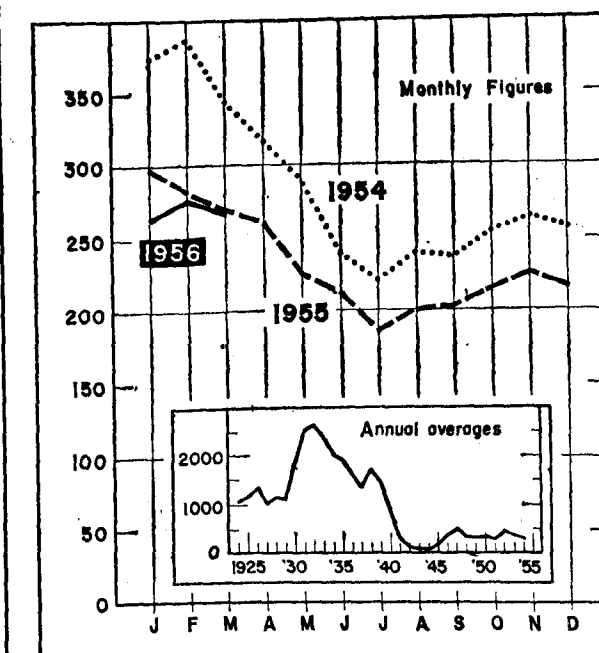
turn a Labour MP into a delegate of his constituency party. The logical extension of that would be a Labour Government answerable, not to Parliament, but to the party conference. There is, in fact, nothing wrong about private party meetings in themselves. Where they have become dangerous is when major decisions are taken in private and all Labour MPs are bound to silent acceptance.

The other genuine ground for complaint about lack of democracy in the Labour party lies against the caucus mentality of Transport House. Transport House's initial reaction to "Victory for Socialism" was to "warn" party members to boycott its assembly. This had the inevitable result of giving the movement its biggest boost. When it became clear that a group of Labour MPs was going to disregard its edict, Transport House explained that to "warn" meant to "urge." This incident typifies all the weaknesses of Mr Morgan Phillips's bureaucracy. It was permissible to "urge," it was pompous to "warn," and downright silly to pretend that the two words mean one and the same thing.

The Fretful Philippines

THE hot wind of nationalism that is blowing through Asia has touched even the Philippines, that stalwart outpost of the West in the Far East. The Filipinos are disgruntled with the Americans over a number of things, and they have been voicing their complaints with a robustness that is traditional in Manila but has clearly disconcerted Washington. The criticism overflows party lines, and has been joined by many members of President Magsaysay's ruling Nationalist party as well as the opposition Liberals. The Mayor of Manila has talked about an "army of

UNEMPLOYMENT IN GREAT BRITAIN [THOUSANDS]



occupation" in the 14 American bases on the islands, and the Speaker of the Philippine house of representatives has told a gathering of college graduates that their country is under "the heels of a new oppression." The Nationalist and Liberal leaders in the lower chamber of parliament have combined to issue a joint statement urging the President to reconsider the agreements with the United States.

In most countries these would be fighting words. The Filipinos' grumbles can, however, be reduced to a number of specific points. They have long been fretful over the Americans' claim to hold proprietary rights over the land on which the bases stand. The Americans have often been a little authoritarian. They have nominated mayors for Filipino townships, and have imposed their own taxes; and a party of Filipino miners was arrested last month for working a manganese mine in the area of Clark airfield in central Luzon. There is bitterness, too, because 15,000 Filipino labourers employed by the Americans on Guam are not covered by the American minimum wage law.

And, as always, there are economic undertones. The powerful sugar lobby in Manila is furious because an American Congressman has suggested cutting the import quota for sugar from the Philippines in retaliation for Manila's restrictions on the import of American tobacco. Some Filipinos want to experiment with trade with Communist China, and there have been complaints about the size of the recent \$65 million American loan in comparison with the help given to other Asian countries. It is too simple to blame all this, as Washington tends to do, on the manoeuvres of local politicians eager to discredit President Magsaysay. The new American Ambassador, Mr Nufer, has scope for diplomacy in settling the Filipinos' grievances. But the strong ties of history and economics that link the two countries are likely to prevent this outburst of nationalism from ripening into neutralism.

The Kashmir Tiger

THAT well known tiger, the Kashmir problem, is back in the lap of the United Nations. Mr Mohamad Ali, the Pakistani prime minister, has announced that Pakistan is to ask the Security Council to consider the dispute once again. His intention is clearly to keep it as prominently as possible before the world's gaze, lest India take advantage of the stalemate to consolidate its hold on the territory it occupies. For the Pakistanis realise that time, as well as military and economic strength, are on the Indian side.

Mr Nehru made this plain at a press conference last week. He advanced a new legal argument to support India's claim to Kashmir—the theory that all the states in the sub-continent automatically became part of India in 1947 unless they specifically chose to go to Pakistan. In Mr Nehru's eyes this seems to get round the need for holding a plebiscite among the Kashmiris themselves. It was the Indians who originally suggested a plebiscite; now Mr Nehru admits that he is no longer in favour of one. Instead, he offers a constitution drawn up by the Kashmiri Constituent Assembly, which Pakistan naturally does not recognise, followed by general elections on the basis of the Indian-approved constitution. Mr Mohamad Ali can see the sands running out.

But it is doubtful whether taking the matter back to the

Security Council will do much good. Both sides can stall legal claims until shrimps learn to whistle; but a solution will only be possible through some sort of political compromise between them, and the Security Council cannot enforce a compromise. The most it is likely to do is to counsel moderation and patience, and perhaps throw the footsore Mr Hammarskjöld once more into the breach. Meanwhile, the Russians are given another opportunity to undermine the free world's unity. They can, if they choose, espouse the Indian case in the Council as zealously as they espoused that of the Arabs last week, before showing their good will by voting for some unanimous and innocuous resolution. Kashmir is as good a lever for opening a gap between India and the rest of the free world as Palestine is for prising away the Arabs. The pious indignation with which *Pravda* greeted the Seato Council's recent comments shows that Moscow will bend itself to the task with zest.

Tax Off the Theatre?

A MAJORITY of MPs has already presumed to tell the Chancellor one of the things it thinks he ought to do in his budget. A motion stands on the order paper in the name of 357 members of all parties asking him to give his early attention to the tax difficulties of the living theatre. To remove tax from this altogether would cost barely £2 million a year.

This is a matter about which neither taxpayers nor theatre-lovers need get too excited. The extent of the theatres' difficulties was outlined in the answer to a Parliamentary question on Tuesday:

It is estimated that about 45 to 50 places of regular theatrical entertainment have ceased to be used for dutiable entertainment during the past two years.

It is possible, however, to exaggerate the extent of this calamity, and, still more, to exaggerate the extent to which entertainments tax is responsible. Some of the theatres may have been turned over to non-profit making programmes, on which tax is not paid. Many were music halls, providing a type of entertainment which a better educated public has outgrown. Against the competition of cinema and television many would have failed even if they had not had to pay entertainments tax; their share of the £2 million really would not go very far.

One of the arguments sometimes used against remission of the tax, however, is really an argument on the other side. It is sometimes said that any worthwhile theatre can win exemption from tax by producing a reasonable number of good plays, and subsequently convincing the Customs and Excise that its programme as a whole was "educational." In practice, however, this leads to unfairness and anomalies, and it does not aid the search for "angels," who under this system cannot win but can make a very large loss. (The fate of the Oxford Playhouse under non-profit making management is the most recent warning of what can happen.) It seems illogical that there should be three kinds of theatre—one that the state assists through the £600,000 a year grant to the Arts Council; a second towards which it is neutral, taking only the ordinary company tax; and a third which it penalises with a large additional burden. On grounds of pure tidiness, if on none other, there may be a case for the Chancellor to please those 357 MPs.

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Rents in Ulster

JUST at the moment when speculation is mounting whether the British Government will dare to move towards rent reform, Ulster has shown how explosive this issue is. Slates are still falling in Belfast, rocked by the Northern Ireland Government's Housing (Miscellaneous Provisions) and Rent Restriction Law (Amendment) Bill. The Attorney-General, Mr Warnock, has been blown clean out of office; greatly to his surprise his Prime Minister, Lord Brookeborough, asked for his resignation when he explained that the threatening attitude of his constituents prevented him from supporting the government on the Bill. Another minister teetered on the verge of voluntary resignation, while the Minister for Local Government, Dame Dehra Parker, incurred unpopularity when she declared that the opposition was communist inspired and that all the post-cards in protest were in the same handwriting. In the general excitement, the Ulster parliament found that it had given the Bill its second reading before debating it. This happened from the mishandling of the opposition amendment, and the government has had to introduce a new but identical Bill.

It may be doubted if it will remain identical with the old, which was, however, really a very modest measure. It was designed solely to counter the steady dilapidation of Belfast housing as a result of rents having stayed almost unchanged since 1939. Belfast rents are low, though building costs have risen as in Britain. Under the Bill, landlords of houses of less than £40 annual value would be permitted to raise rents by 50 per cent or so, conditionally on houses being in good and tenantable repair; in addition, all new and newly converted houses would be decontrolled, as would be all houses of more than £8 annual value after the expiry of the existing tenancy.

The opposition, largely of Unionist backbenchers gathered round Mr Warnock, argues that the increase is too great, and that in any event landlords will be able to evade their responsibility to use the extra rent to repair houses, because the provision under which a tenant has to get any "certificate of disrepair" from the local sanitary authority is inadequate and clumsy. It is true that when rents were raised—by a mere 5 per cent or so—in 1951, out of 92,000 houses affected, there were 28,000 appeals and 21,000 got certificates; but Mr Warnock says that many tenants had to do their own repairs and that the increase would be made on tenants' improvements. With both sides vehemently protesting their basic loyalty to Ulster above all else, the most likely outcome is some compromise under which rent increases are tied more closely to expenditure on improvements; the danger is that the whole principle of the Bill will be rendered nugatory if at the same time the permissible increases are slashed to a derisory level.

Second Phase in Argentina

THE death of General Lonardi, who led the successful revolt against the Perón regime and was later replaced by a somewhat more liberal and anti-clerical group of officers, symbolises the beginning of a second phase in the

new Argentina. Difficult times lie ahead for General Aramburu, the National Advisory Council with which he governs and the military junta on which his real power is based. The recent troubles in the province of Mendoza, and the measures taken against influential army officers such as General Bengoa and General Sonorana, suggest that right-wing elements—ranging from Peronistas to pro-clerical conservatives—are still looking for chances to overthrow the present government. Its survival depends less on its military strength than on its ability to halt inflation and satisfy the working classes who look back to the days of rocketing wages and paid holidays under Perón.

The government's economic measures have been courageous and, on the whole, sensible in the situation for which they are designed. All wages and salaries were increased in February by 10 per cent, and collective labour agreements were extended to the end of 1956 to allow time for separate re-negotiation. At the same time prices in many industries were frozen so that the cost of the wage increase would not be passed on to the consumer. The government has told manufacturers that they must increase their profits by producing more. The discovery of new oil wells near the Bolivian frontier, and the construction of an integrated steel mill on the River Paraná (a project financed with the help of the Export-Import Bank), should help Argentina's industries to get new wind in their sails. In order to restore the confidence of foreign buyers and investors, the government has decided that it will try henceforth to conclude multi-lateral and not merely bilateral trade agreements, it has resumed remittances from the earnings of foreign companies operating in Argentina, and is doing much to simplify the rules governing foreign exchange. (See Business Note on p 174.)

But the cost of living has continued to rise, and in terms of real wages some of the population are worse off than under the Perón regime. The government has, therefore, a slow and difficult course to steer between the progressive interests, demanding more political freedom, and its right-wing supporters—many of whom, though they opposed Perón, are not prepared to see genuine democracy in Argentina.

A New Fancy Franchise?

LORD MALVERN, prime minister of the Federation of Rhodesia and Nyasaland, has carried a stage further the search for a franchise for a plural society. He has spoken—a little vaguely—of a two tier system, under which the majority of Federal members would be elected on a common roll with a high set of qualifications, while a minority of members would be elected by a common roll with a low qualification; the idea is that the electors who qualified for the first roll (almost all of whom would be Europeans) would also be eligible to vote on the second, and would thus have two votes.

There need be no instinctive opposition to this; if the Coultts principle for plural voting in Kenya had been adopted, in a way that made possible common roll constituencies, it would have been a wise advance. But two questions need to be asked. First, how high does Lord Malvern envisage the qualifications should be on the high qualification roll? At present, on the recently raised

property franchise in Southern Rhodesia only about 400 Africans appear on the register, though it is believed that 2,000 or more could register. Would all these be excluded by raising the property qualification yet again? If so, the possibility of re-registering on the low-qualification roll would hardly assuage African disillusionment. Africans already declare that they are, by means well understood in the Southern states of America, discouraged from registering in Southern Rhodesia; and if they organised to get on the roll, the franchise would quickly be made more difficult for them. Is Lord Malvern's scheme designed to provide an excuse for a new breach of trust?

Secondly, and perhaps immediately even more important, how low does Lord Malvern think it would be politically possible to set the qualifications for the lower roll, for electing the minority of members? Would he agree to a scheme that would lead to a significant shift of influence away from the white electorate? If the lower qualification enfranchised even a quarter of the African population over 21, this would put a third or a quarter of the Federal House in the hands of African electors. In a narrowly divided House (such as may emerge at the next general election) this would give Africans the decisive influence at times. The result of the recent by-election at Sebakwe, which the Federal Party failed to win, hardly suggests that European voters would accept this. No doubt Lord Malvern's plan is designed to provide a *quid pro quo* in return for which Britain might concede early independence to the Federation and abdicate the Colonial Office's control in Northern Rhodesia and Nyasaland. If so, its details will demand close scrutiny.

True Optimism

Probably there never was a war which in its course presented so little that was humiliating to the character, or in its termination so little that was mortifying to the *amour-propre*, of any of the belligerents. . . . On the whole, too, and in the long run, we are inclined to think that this discomfiture will prove a real service to Russia. Her failure may be "a blessing in disguise." Compression from without was probably indispensable to force the cultivation of her powers within. As long as she was pertinaciously bent on an extension of territory, she was sure to neglect in some measure the development of the resources of the vast districts she already owned. As long as her statesmen had their eyes fixed on foreign policy and the augmentation of their influence abroad, it was inevitable that their attention should be diverted from the rich harvest which awaits industry and wise government at home. Now that she knows that her boundary is fixed, and if altered can only be altered for the worse; now that she has had startling and painful proof that any attempt at aggrandisement will arouse against her a combination of nations against which even she must be powerless—she will almost of necessity begin to look to those other sources of wealth, grandeur, and predominance which she can cultivate without despoiling any neighbour, or offending any rival, or incurring any risk. If we had not so long been accustomed to the sight, it would seem little short of madness for a nation embracing half Europe and Asia and numbering 60 million of inhabitants, to wish for more land and more subjects—when half her acres are lying waste and half her people are destitute and wretched.

The Economist

April 12, 1856

Negotiation by Ultimatum

THERE has been some confusion about the meaning of the resolution that the rank and file of the National Union of Teachers forced upon an unwilling executive at their Easter conference, declaring that the teachers' demand for a basic salary of "not less than £500 to £1,050, with the appropriate additions, should be the aim of negotiations and not assumed as a purely bargaining figure." Apparently, however, the interpretation of "aim" is to be the rigid one of "commitment," and this seems bound to produce a large stumbling block for the Burnham Committee.

NUT members do not form the whole of the teachers' panel of the Burnham Committee, but they are in a majority there, and if they must persist in a demand that the authorities' side is surely bound to reject, there is no possibility of an agreement. Without an agreement in the committee there can be no increase in teachers' salaries. The prospect is therefore that at the next meeting on April 25th the NUT representatives will present a flat demand and be met by a flat rejection. Presumably the authorities will then announce their offer, and it seems clear that the rank and file of the union will sooner or later have to untie the hands of its sometime negotiators. That can be done only at a special conference of the union.

The effect of the fighting spirit at the NUT conference will therefore be to delay any agreement for at least three or four weeks; and the delay will affect not only the teachers, but also those whose pay scales are closely allied to the Burnham scale—inspectors, and teachers in technical institutions, farm institutes, training colleges and Home Office schools for delinquents. This is no doubt only a temporary setback, but it is a pity that the rank and file of the NUT had to indulge in this display of seasonal union militancy before they had even heard what the local authorities were prepared to offer. The pity is the greater because some of those who voted for the resolution do not seem to have known exactly what they were voting for.

Ferment in Eastern Europe

THE anti-Stalinist campaign is sweeping across Eastern Europe. After the rehabilitation of Rajk in Budapest and of Kostov in Sofia, the Bulgarian premier, Mr Chervenkov, has been rebuked for having indulged in the "cult of personality." In Poland Mr Gomulka, one of the few disgraced leaders whose rehabilitation need not be posthumous, has been cleared of charges of treason or subversion, though his line is still condemned as Right-wing deviation. The movement is gathering momentum and this official admission that people confessed to trumped-up charges leads by a macabre thread through the Slansky case in Hungary and the "doctors' plot" in Russia to the future revision of the Moscow trials directed in such ghastly fashion by the ill-famed Vyshinsky.

Events actually seem to be moving faster now in parts of Eastern Europe than in Russia itself. Voices within the communist parties of these countries are heard demanding steps to make the repetition of such tragic errors, and a

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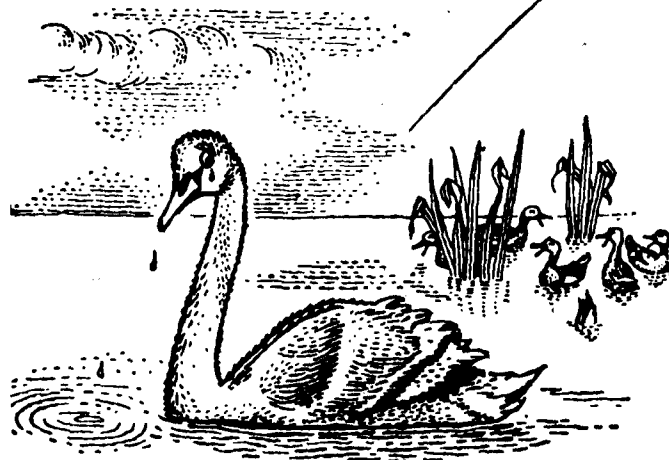
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return of Stalinism, impossible. A correspondent in the Polish *Trybuna Ludu* asks that debates on all important issues should be fully reported, with an indication of the views of the overridden minority. While recognising the need to implement decisions once they have been reached, she actually claims for the party member the right to dissent and for the party the duty to discuss openly. Such cries for inner party democracy are still much fainter in the Soviet Union.

The ferment now coming to the surface is also much more dangerous for the satellite regimes. In Russia only tiny vestiges of private property have been left and Communist leaders had decades to mould their society. But in Eastern Europe peasant smallholders still form everywhere a substantial part of the population. Many town dwellers, too, are deeply hostile to communist rule. Who next will ask for more freedom? Party leaders are already applying the brakes and uttering warnings that the "class enemy" is waiting for an opportunity.

Hard Times for Suvorov

SOVIET historians have a busy time ahead. The destruction of Stalinist myths will offer them new scope for writing about more than recent history. Glorification of the past, the blurring of the line which divides Tsarist Russia from the Soviet Republic, had become features of historiography in Stalin's time. The tsars and their servants had to be whitewashed so that Stalin could appear as the glorious heir not only of Lenin, but also of Ivan the Terrible and Peter the Great, Kutuzov and Suvorov. This jingoist line was boosted in the nineteen-thirties to prepare Russian people for a "patriotic war." The shift from revolutionary to nationalist traditions was symbolically illustrated by a Soviet film which sympathetically represented Marshal Suvorov as trampling the flags of the French revolution.

Now this cult of tradition is to be abandoned again. Tsarist generals are to be taken off their pedestals and put back in their historical perspective. At a recent conference of Soviet historians many speakers insisted that while Kutuzov and Suvorov may have been good soldiers, they were not fighters in a progressive cause but defenders of Tsardom. Soviet historians are already clamouring for a new light on the Crimean war and for a partial rehabilitation of Shamil, the Caucasian national hero who until recently was being dismissed as a "British agent."

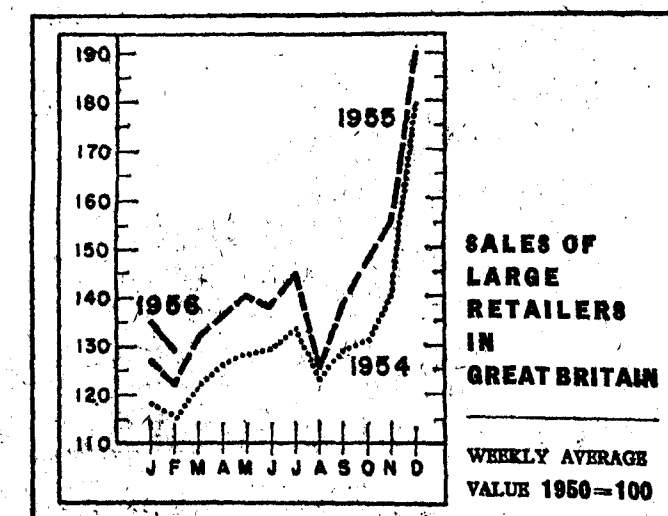
Another symbolic change took place this week: Mr Lysenko resigned from the presidency of the Soviet Academy of Agricultural Sciences. For years before Stalin's death this practitioner turned oracle dominated Soviet genetics. The trouble was not that he was wrong, or that he was right, but that, with the blessing of the party, he cowed all opposition, so that the orthodox geneticists were branded as heretics; Michurin was god and Lysenko his prophet. With Stalin's death came also the end of Lysenko's infallibility. Mr Khrushchev attacked him for poor practical results. The theoretical discussion was reopened; it goes on still. Mr Lysenko is not disgraced, since he was allowed to address the party congress, but his

resignation may be taken symbolically as the end of one attempt, at least, to determine scientific truth by party ukase.

Dispersing Offices

MR SANDYS recently voiced his alarm at the rapid growth of office employment in central London. In the City alone 6 million square feet of office space is under construction and a further 4 million square feet has been approved. A similar growth is taking place in and around the West End, although the authorities are working hard to squeeze the offices out of Mayfair. Already employment is growing rapidly in Greater London (it has increased by 100,000 over the last two years) at the same time as the resident population is steadily declining. This has meant a large increase in the number of long-distance commuters who come into London daily from places beyond the green belt. On present trends, the size of this daily influx will go on rising very rapidly, and London's traffic congestion get steadily worse.

Mr Sandys's sensible prescription is that all London firms should consider locating at least part of their staffs outside the congested central area—and preferably outside London altogether. In many cases the top management needs to be in central London; but it is certainly feasible for the more routine office operations, which as a rule occupy most of the staff, to be performed elsewhere—provided a modern system of inter-office communications is set up. But if the Government is going to sponsor this prescription, there are at least two things it could do to help it along in practice. One useful step would be the extension of the London dial telephone exchange, to take in if possible the new towns which have potential advantages for offices that have not yet been realised. The other point is that the Government could afford to set a more direct example. It has dispersed 25,000 civil servants from London (partly as a result of wartime stimulus) and has plans for moving out another 14,000, but there is no reason why these plans should not be hastened and extended. The amount of routine work done in the civil service is much greater than this.



Letters to the Editor

Non-Co-operation

SIR—The Co-operative party is always grateful to have the advice of its friends and even of those who are not. In "Notes of the Week," you write that the Co-operative party "would carry more weight if it concentrated on the problems of consumers, of which it should have special knowledge." You are surely aware that in the last ten years the national committee of the Co-operative party has produced a series of policy statements which deal directly with consumer problems. These were summarised in an appendix to "Challenge of Our Time," which was presented to and approved by the Easter conference of the party this year. This recent statement, like most others, is open to criticism, but no one who has read it will accuse the committee which issued it of not being interested in consumer problems. It is an attempt to apply co-operative principles and experience to the problems of our time. In fact it does precisely what you suggest the Co-operative party should do.

As for your comment that the party is "always ready with advice, yet free to opt out of the most disagreeable responsibilities of its position," this is inconsistent with the suggestion that the Co-operative party should "concentrate on consumer problems" and, presumably, have nothing to say upon general political questions. What you appear to be saying is that only those who agree with your views on conscription and German rearmament are willing to face the disagreeable responsibilities of modern politics. I envy you your cocksureness.—Yours faithfully,

JACK BAILEY

Co-operative Party, Westminster, S.W.1

Pruning Nationalised Investment

SIR—Your article in your issue of March 17th draws attention to the share of gross capital formation claimed by the nationalised industries and asks whether this share is not excessive. After outlining the administrative process by which the investment needs of these industries are now determined, you conclude that "few would pretend that this annual exercise compares in efficiency with the impersonal criteria of the market."

Administrative decisions may well go awry, but whether "the impersonal forces of the market" offer a more satisfactory method of allocating capital to these industries seems open to doubt. The price mechanism—providing income is equitably distributed—is an effective

way of ascertaining the current preferences of consumers and the ability of producers to meet them. When it comes, however, to estimating consumption requirements and cost levels in the more distant future—and that is what investment decisions ought to be concerned with—we are all guessing; and when the Government takes a big hand in determining the shape of things to come (the level of production and demand) and, in addition, has, or should have, exceptionally complete information on what others are planning to do, then one might assume that its guess would be no worse than anyone else's.

Moreover, the market's judgment of the profitability of an investment project is strongly influenced by what it knows, and that, in the main, is current price relationships. Where major structural changes in the economy are in the offing current price relationships are bound to alter and must offer a shaky basis for long-term investment decisions.

Even if the foresight of the market were such that it could predict impending changes with minute accuracy, the case for entrusting to it investment decisions in the nationalised industries might not be very strong; for the profitability of a project from the national point of view does not depend solely on the financial returns accruing to the investing authority. Public utilities may confer on other industries benefits for which charges cannot conveniently be levied; these benefits do not therefore add to their returns and the market thus cannot, but the Government ought to, take them into account when allocating capital. Few would criticise the Government's recent action in earmarking substantial amounts for investment in training facilities for technicians even though the required capital could not have been raised by an appeal to the criteria of the market. A case for investment in better transport facilities will often have to be argued along similar lines.

In industries where capital output ratios are high (and your charts demonstrate that most nationalised industries belong to this group) average costs are liable to decline as output rises. It is a familiar proposition that in this situation public welfare will sometimes be best served if prices are set below cost and losses recouped by subsidy. Not all national industries fall, of course, into this category, and it certainly does not follow that it is always desirable for these industries to run at a loss. Your plea for a careful reconsideration of the pricing policies of nationalised industries should for these and other reasons command widespread support.—Yours faithfully,

G. O. GUTMAN
Nuffield College, Oxford

Cypriot Deadlock

SIR—In your report on Cyprus (in your issue of March 10th) you very rightly mention the "question of the elected majority" of the future Cypriot Assembly as one of the stumbling blocks to an agreement between the British Government and Archbishop Makarios. However, you seem to condone the vagueness in which this most important point was left.

You mention that "Mr Lennox-Boyd felt that a wide measure of self-government having been promised, the details must be left to be worked out in consultation with all the interested parties on the island and with the special commissioner, who would draw up a detailed constitution." And you suspect that the rejection by Archbishop Makarios of this British offer may be due to his being "an ambitious prelate."

I should like to be allowed to point out that the refusal of the British clearly and unambiguously to guarantee an equitable representation of the island's two main national groups (83 per cent Greeks—15 per cent Turks) is the main reason for the Archbishop's rejection of the offers. Without such a guarantee being given in advance, the Greek majority would for a long time to come, perhaps for ever, be deprived of its right to self-determination.

On the other hand may I congratulate you for your humane and fair conclusion that it is the duty of HM Government to start a new "constructive" effort in view of a final settlement of the question.—Yours faithfully,

PERICLES COLLAS
Athens

The Restrictive Practices Bill

SIR—May I add on behalf of the hundreds of thousands of small traders represented by my committee, some observations on your recent comments on the Restrictive Trade Practices Bill.

Price maintenance of branded goods by collective action is our main interest; we do not operate price rings or indulge in private courts, but we are seriously affected by the proposal to ban collective enforcement of manufacturers' prices. We regard with doubt and scepticism the effectiveness of the cumbersome and costly machinery which, under the Bill, is to be set up for upholding, through the courts, the individual manufacturer's prices. If the qualities of personal enterprise and continuity of service associated with the small shopkeeper are to be preserved, the section of the Bill relating to collective enforcement calls, in our view, for most careful scrutiny and just and reasoned amendment. Our fears are very real indeed; by driving small traders to the wall the sweeping prohibition of collective enforcement may in fact lead to the diminution of genuine competition.

It is regrettable that you should adopt a consistently hostile attitude to the

enforcement of price maintenance by collective action. In what I believe was his last paper (Resale Price Maintenance, *Journal of Industrial Economics*, December, 1954) Sir Henry Clay said: "Uncontrolled individual bargaining among retailers may lead to lower prices to the consumer for a time; but if it leads also to irregularity of prices and sales, which deters manufacturers from extending the mechanisation, and other methods of rationalisation, of their processes, it will prevent lower prices in the long run. As with the settlement of rates and conditions of wage-labour, the collective procedure is needed for stability and long-run economy, and to avoid endless alterations to suit the transient changes in the bargaining position of individuals. It requires the only effective sanction, the right to withhold supplies collectively—the strike; a monopolistic producer can enforce his terms by withholding supplies individually; but most producers could not enforce an agreement without the right, and it is inconsistent to accord the right to protect a producer's goodwill while denying him the only effective means."

Nor do you show the respect it seems to merit to the statement of Sir Thomas Barnes and Professor Goodhart, in the Monopolies Commission's Report:

"We regard the greater effectiveness . . . of collective enforcement, as distinct from individual enforcement; as a powerful argument in its favour. It seems to us illogical that, if it is lawful for individual manufacturers to prescribe the prices at which their goods must be resold . . . they should be debarred from enforcing the maintenance of the prescribed prices in the most effective manner consistent with the general law."—Yours faithfully,

H. E. CHAPMAN,
Chairman

Fair Prices Defence Committee,
Gordon Square, W.C.1

Babel in Singapore

SIR—I fear that the problems of bilingual education in Singapore, indeed throughout Malaya, are more formidable than your article of March 17th—though not its title—would appear to suggest. As far as Chinese-speaking inhabitants are concerned, a dual school system has evolved. Pupils, or rather their parents, are faced with the choice between an English education, which will alienate the children from the Chinese cultural heritage, but open the way for a career under British auspices, and Chinese schooling which will not fit them for government service but help to orientate them towards China—with the jungle as a possible intermediate course. Surely, the attempt to "marry" both systems by providing tuition in Chinese for English schools and vice versa is basically sound. That, for Chinese children, this involves learning an additional language is a complicating factor, but not more than that.—Yours faithfully,

RALF BONWIT
Dunsden Green, near Reading

Books & Publications

The Man on the Tiger

YEARS OF TRIAL AND HOPE, 1946-1953.

By Harry S. Truman.

Hodder and Stoughton. 597 pages. 30s.

THIS second half of the Truman memoirs is more absorbing and satisfying than the first. The President (who says he soon discovered that being President is like riding a tiger; one must go on riding or be swallowed) was more in command of the issues and of events by 1946. And what events they were, as, under Russian pressure, America swung inexorably away from isolation into its present position of world leadership. The great story gets under way, after several miscellaneous chapters, with General Marshall's mission to China. General Marshall did not "save China," but he displayed the qualities of patience, far-sightedness and realism which, with courage and imagination, were to characterise the Truman Administration at its best. There is much in these pages to reassure the world about the quality of American leadership.

To make up his mind comes easily to Mr Truman. Yet even he admits that the decision to intervene in Korea—a radical departure from American policy that provided the turning-point in the cold war—was the most difficult he had to take. This was not because he had doubts of its rightness, but because he was aware of the constant risk of precipitating a wider war and had to remind himself that Korea, for all its symbolic importance, was only one of many danger points. Compared with this harrowing and continuing anxiety, the decision to relieve General MacArthur caused Mr Truman only a day or two's "worrisome thought." He had too much respect for the constitution not to know that the civil power must be made to prevail.

The magnanimity with which he treats this troublesome military prima donna, who constantly threatened to engulf the world in war, contrasts strangely with the harsh arraignment of President Eisenhower for exploiting the Korean war for political advantage during the 1952 campaign. The explanation may be that Mr Truman considers military life more likely to lead to a narrow mind and swollen head than to the humility and responsibility required of politicians. General Eisenhower, however, was a special case. He had been in the Administration's confidence and knew what was at stake: "No man had less right to use this crisis for political purposes." Of course, Mr Truman may also have found it hard to forgive

General Eisenhower for being captured by the Republicans and winning their battles.

Mr Truman finds it hard, too, to forgive Mr Stevenson. In general, he is not much interested in personalities or recriminations, and his narrative suffers from a certain flatness. But he was exasperated by Mr Stevenson's coyness (the Democrats narrowly escaped having the amiable Barkley as their candidate) and hurt by Mr Stevenson's clear desire to dissociate himself from the "Truman record," which the Republicans were proclaiming to be one of softness to communism and corruption. Mr Truman pays a tribute to Mr Stevenson's eloquence and moral courage, but the diagnosis of his political errors—the only point at which Truman the politician steps completely out of the robes of Truman the statesman—is candid.

Late in the campaign Mr Truman was called in to "give 'em hell"; he did his vigorous best. But it is typical of his brisk realism that when the "disappointing but not surprising" results were in, he at once offered to brief the new Administration so that the national interest should not suffer during the transfer of power. It is probably also typical that Mr Truman should have been puzzled by the coldness with which his offers were accepted. For the student of American politics these revealing final chapters alone would make the memoirs worth while.

Unpleasant Reflections

REFLECTIONS ON HANGING.

By Arthur Koestler.

Gollancz. 193 pages. 12s. 6d.

THE CASE OF TIMOTHY EVANS: An Appeal to Reason.

By Lord Altrincham and Ian Gilmour.

The Spectator. 26 pages. 1s. 6d.

MR KOESTLER'S reflections on hanging are not pleasant ones. Indeed, many abolitionists will feel that now that the tide of opinion is turning in their favour (as it undoubtedly is turning, whatever the Home Secretary may say), this labouring on the horrors of hanging is not the right attitude for their champions to take. Let them state their case calmly and they will find it becoming all the more forceful as their opponents, now on the defensive, become the more shrill.

Mr Koestler's book is, therefore, unlikely to be so effective as that of either Sir Ernest Gowers or Mr Gerald Gardiner, who between them recently covered much the same ground as he, but much more quietly and coherently.

If the abolitionists' cause can be helped by reflection on the technique of executions, then they have not been better served than by the Home Office itself. For the official account of a hanging, given to the Royal Commission and expressed in impersonal matter-of-fact Whitehall prose, is much more likely to convert waverers than Mr Koestler's gloss upon it. Similarly, the Home Secretary's own recent statement on what actually happened at Mrs Thompson's execution in 1923 was much more damaging to the official case than the horror story presented in Mr Koestler's book.

Nor does the Home Office come out well from the other controversy arising from the publication of extracts from the book in *The Observer* two months ago. For thirty years it has tacitly allowed an incomplete version of the official instructions to prison governors on what should be said in execution bulletins to be accepted as complete; even now it has left the history of these instructions, and the question of when and under what circumstances they may have been changed, deplorably vague. It presents an even sordid figure in the Evans case. One does not have to be so completely convinced of Evans's innocence as are Lord Altrincham and Mr Gilmour to realise that the Scott Henderson report on the case was much less convincing in purporting to establish his guilt. The authors of the pamphlet do not cover much new ground, except for showing how untenable is the thesis of Sir Lionel Meald (Attorney-General and prosecuting counsel in the Christie trial); he stated in the February debate in the Commons that though Evans may have been hanged on false evidence, he was still guilty, for he was concerned with Christie in the murder of Mrs Evans and their child. So long as the Home Secretary refuses to have a fresh inquiry, people will continue to believe that he is refusing to face the truth.

A Victorian Anarchist

THOMAS HODGSKIN.

By Elie Halévy. Translated by A. J. Taylor.

Benn. 197 pages. 18s.

THOMAS HODGSKIN (1787-1869) is known today as one of the clearest thinkers and strongest arguers in that diverse body of generous, impetuous, warmhearted, and often muddleheaded men, the English nineteenth-century radicals. Yet Hodgskin himself was so modest, and so genuinely doubtful of his own powers, that he never pushed himself forward into notice; when he died, no London newspaper noticed his death; and he does not figure in the "Dictionary of National Biography." He served for a while as a naval officer in the Napoleonic wars; soon after the peace, he travelled much, on foot, in Central Europe; then he worked for forty years as a free-lance journalist and reviewer—a list of his contributions to *The Economist* from 1844 to 1857 fills five pages in the book under review.

Above all, Hodgskin was an inquirer, with a passionate belief that "No Holy Alliance can put down the quiet insurrection by which knowledge will subvert whatever is not founded in justice and truth." He criticised his friends the Benthamites, and the economics of Ricardo; and wrote two economic textbooks of his own. In them he anticipated some of the cardinal features of Marx's theories of labour and value, and emphasised the importance of the economic factor in history; hence, he is often referred to as one of the early socialists. But he detested state activity in any form; at heart, he was an anarchist: he wrote once that "all law-making, except gradually and quietly to repeal all existing laws, is arrant humbug."

The seminal importance of Hodgskin's work was first revealed by Elie Halévy, one of the greatest historians of nineteenth-century England, who found out much about him when preparing his "Growth of Philosophic Radicalism," and published this short life of him in French in 1903. The book summarises his obscure career, and analyses and illustrates the development of his thought; many of its most telling passages are drawn from Hodgskin's letters to the radical organiser Francis Place. The brief concluding chapter discusses, with all Halévy's acumen, the relation between Hodgskin's thought and Marx's and points out that the two men may well have met while Marx was writing "Capital." This important study is at last made available in English by Mr A. J. Taylor's apparently effortless translation. The translator has gone to much trouble to restore the original wording for the large part of it which first came from Hodgskin's own pen.

Occupation Policies

DOCUMENTS ON GERMANY UNDER OCCUPATION, 1945-54.

Selected and edited by Beate Ruhm von Oppen.

Issued under the auspices of the Royal Institute of International Affairs.

Oxford University Press. 687 pages. 63s.

THIS collection of documents opens with a report of the press conference given by President Roosevelt and Mr Churchill in January, 1943, at which they announced the policy of "Unconditional Surrender," and closes with the protocols on the termination of the occupation regime in the Federal Republic of Germany which were issued by the Conference of Ministers in Paris in October, 1954. It is not a comprehensive survey of the German problem in all its aspects in this period. Documents dealing with Germany as an international political issue, as the centre of the chief divergences between East and West in the struggle for advantage in the new balance of power, are excluded on the ground that they are fully covered already in other publications, notably Chatham House's "Documents on International Affairs." For the same reason, even when these international disputes were intimately connected with,

or had their origin in differences of occupation policy between East and West, there has been no attempt to cover them. Thus the volume does not deal with the quarrels that culminated in the Berlin blockade or with the continuing battle of wits between the powers on the question of the reunification of Germany. As is made clear in the preface to the book, the aim has been to document only the administrative aspects of the problem, to illustrate only the implementation of the occupation policies of the different powers.

Despite its restricted field, the volume is to be welcomed. Even in its duller and more administrative aspects, the occupation of Germany, a unique episode in international relations, raised unusual and important problems. How complicated they were, and how they received different solutions in the zones, is better illustrated in this collection of documents than in any other publication at present available. In particular, the volume represents the first attempt in English to deal with all four zones, the Russian as well as those in the west, as fully as the evidence will permit. The type of evidence available for the developments that have taken place in the Russian zone is naturally different from that which exists in Western Germany; and, equally naturally, the amount of evidence available for that zone is less than in the west. The Soviet authorities have not only adopted different policies and followed their own methods of putting them into effect; those methods and policies have not always been consistent with the full publication of evidence, even on administrative questions. But as far as the evidence can be collected, and in so far as it can be trusted, English readers are now enabled to study some of the developments during the past ten years in the Soviet Zone, of which they have so far been ill-informed.

New Light on Advertising

THE SELECTION OF ADVERTISING MEDIA.

By J. W. Hobson.

Published on behalf of the Institute of Practitioners in Advertising by Business Publications Limited. 201 pages. 15s.

THE bibliography of advertising in this country is not very extensive, but this book, written by John Hobson, and sponsored by the Institute of Practitioners in Advertising, is a notable addition. It makes what is perhaps the most workmanlike approach ever to be published in this country to a difficult and controversial subject.

For a great many people, the whole question of media is still almost entirely subjective and, therefore, difficult to discuss within a scientific study. Mr Hobson in no way denies the importance of subjective judgment in assessing media for advertising, but he does show how objective judgment can augment the subjective considerations that lead to the decision to use this or that medium in an advertising campaign. He first outlines the principles of media

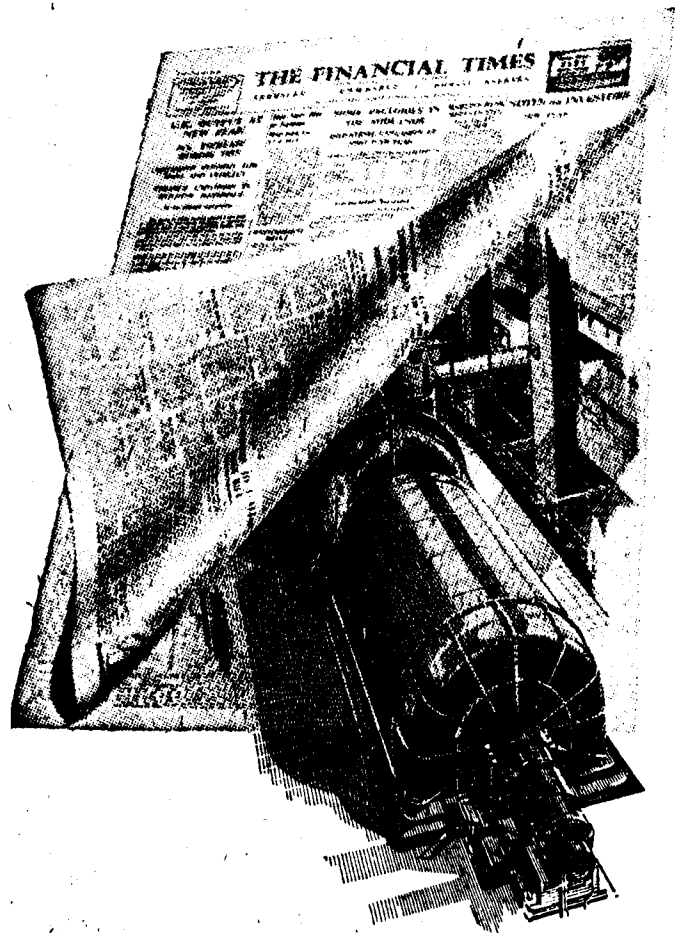


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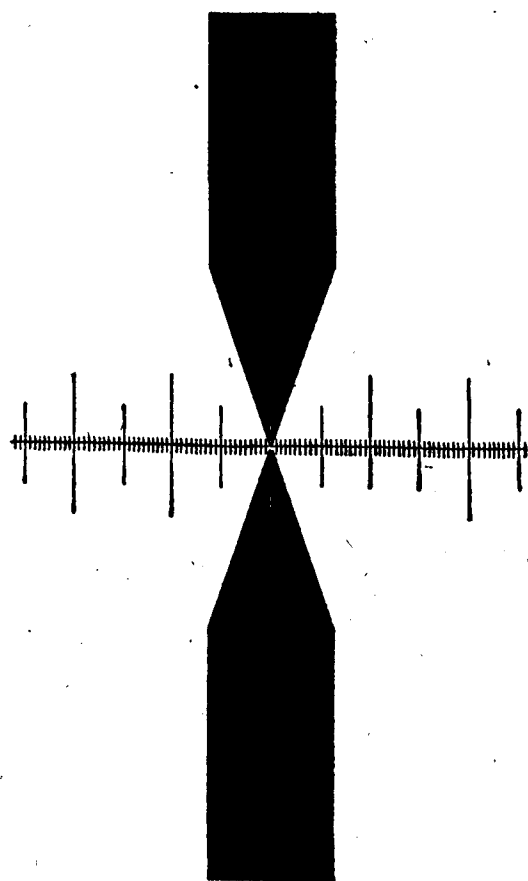
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TGA FFSOA

THE ECONOMIST, APRIL 14, 1951



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planning, thereby providing a tool with which to analyse the various media available to advertisers in this country today. The last part of the book shows how the knowledge thus gained can be incorporated into planning an advertising campaign.

The basic principles comprise four elements: the character of the individual medium, its atmosphere, its quantitative coverage, and finally its cost. By character Hobson means the broad aspects of regional coverage; class, age, and power to reach special groups; the physical characteristics of the medium; its assistance to selling; duration of interest, timing, impact or repetition; and finally its indirect effects on influential groups—for example, the retail trade.

For the most part, these are objective characteristics, measurable by research. It is, however, in discussing "atmosphere" that subjective judgment emerges as a significant factor. Here the media man is dealing with the mood of the audience and the relationship of the advertising message carried to the atmosphere of the vehicle carrying it. Nevertheless, this element is vital and must obviously take the place Mr Hobson gives it as one of the basic elements of media planning.

The other two characteristics, quantity and cost, tend to speak for themselves; they are increasingly becoming measurable, and therefore mainly objective, factors.

Perhaps the outstanding feature of the book is Mr Hobson's practical application of this analytical approach in planning a campaign. There are many things here that many people have known for a long time, but they have not before been gathered together in one place and presented as the complete logical way of handling media in an advertising campaign. Indeed, perhaps the most notable service to advertising comes in the stimulation this book affords to the growing awareness that all aspects of an advertising campaign must be completely integrated, while the old-established tendency for creation, marketing and media to play completely separate parts is fast disappearing. Mr Hobson also realises that the subject is still in its infancy, and he is constantly looking forward to new ways of gathering facts and new methods of applying those facts.

Middle Class and Bourgeoisie

STUDIES IN CLASS STRUCTURE.

By G. D. H. Cole.

Routledge and Kegan Paul. 202 pages. 21s.

THESE studies are in Mr Cole's urbane and statistical mood; they are concerned, in large part, with an attempt to measure the realities of class structure. Mr Cole is early forced to admit that as class frontiers are so ill-defined, this is a difficult task; but his analysis of the 1951 census in terms of social, and more particularly occupational, class is a useful one, especially

when compared with his own rearrangement of Baxter's figures for a century earlier. Mr Cole, perhaps naturally, distrusts the subjective criterion of class, that is, the idea that a man belongs to the class he feels he belongs to; but it is interesting to note that while in 1948 47 per cent of a British Institute of Public Opinion sample poll assigned themselves to the middle class, Mr Cole's own examination of the 1951 census returns puts between 30 and 40 per cent in the same category.

Further, he puts 60 per cent of the occupied population in the four grades of manual workers from fully skilled to unskilled; but it seems highly possible that the middle-working class frontier no longer runs along the top of the artisan stratum, but, in terms of standards of life, and attitudes towards it, some way below the top. Indeed, Mr Cole implies as much. This, however, is once again to enter the field of subjective valuations; but in so complex a class structure it is difficult to avoid this if contact is to be kept with the familiar everyday world of pubs, council housing estates and suburban streets.

Mr Cole's distinction between a middle class and a bourgeoisie is one of the best pieces of social and historical analysis in the book. He rightly compares the isolation of the urban trading and professional groups on the continent with the English middle class, which mingles inextricably with every section of the population in town and countryside, in society and in industry. He observes: "that is why 'liberalism' could never strike real roots in Europe: that is why there are no foundations today over a large part of Europe for political or economic systems which comply with the requirements of 'democracy,' as democracy is understood in Western countries that have experienced capitalist unification." Mr Cole apparently feels that democracy is somehow not quite democracy under capitalism, after showing in some statistical detail that it flourishes best where capitalism creates a broad and widening band of middle classes in the community. But he is in no doubt that the facts of middle class expansion under capitalism dispose of all Marxist pretensions to a scientific theory of economic class (he is just as firm in his rebuttal of the theory of the "managerial revolution").

It is evident that Mr Cole dislikes social class as an attribute of human existence, but his own figures show how steady has been the narrowing of economic differences between the classes, notably the differentials for skill. This he considers to be due to levelling up, hardly at all to levelling down, notwithstanding the virtual disappearance of the upper classes. But does this process end in the withering away of class distinctions and class consciousness? Has it done so in, for example, Australia, where a doctor gets perhaps 20 per cent more take-home pay than a piece-worker? Though Mr Cole does not always stick to facts and figures (his pages on the light thrown by Victorian

novels on class attitudes are highly readable) he felt unable to develop the implications of his own findings to that point.

Masters and Servants

INDUSTRIAL LAW.

By J. L. Gayler.

The English Universities Press. 388 pages. 30s.

THE author who embarks on writing a legal textbook designed for a particular class of consumers is in difficulties. He has to deal with almost all branches of the law—contract, tort, crime and property. Unless his book is to be impossibly large he must either deal with each subject superficially or else assume a large store of existing knowledge. Mr Gayler's book is written for works managers, personnel officers, trade union officials and students and within the limits set by length he is reasonably successful.

The author approaches the relations between master and servant with refreshing candour. The orthodox works on contract tend to overlook the existence of trade union agreements, whereas Mr Gayler says with truth that the vast mass of industrial workers today have very little direct say in the establishment of their rate of wages or hours of employment. Too little has been written about the effect on the individual employer or employee of agreements entered into on their behalf, or of regulations laid down for their benefit by wages councils or otherwise under the authority of statute. For this reason Mr Gayler's chapters on the legal effect of collective agreements and on the settlement of disputes are particularly helpful, though too short for many practical purposes.

The chapters on the employer's liability both at common law and under statute are sound as far as they go. In order to give a complete picture Mr Gayler has had to resort to catalogues. Running down cases and accidents at work take up the greater part of the time of the judges of the Queen's Bench Division, and the law of employers' liability is becoming complex. For this reason Mr Gayler's observations on this subject must be regarded only as an introduction.

Again, the pages at the end on social insurance are a useful summary for a newcomer, but many of the problems which arise in practice lie beyond their scope. Provided that those who use it do not place upon it a weight which the author does not intend it to carry, this book should prove useful.

Red and Other Colours

POLITICAL GEOGRAPHY AND THE WORLD MAP.

By Y. M. Goblet.

Philip. 309 pages. 30s.

IT is now a commonplace that, in an age which is supposedly emancipated from illusion, the capacity for self-deception in political matters is as great

as ever. This is especially true, as Dr Goblet points out, of discussion concerning the territory of states, their boundaries and their dependencies. Today, solemn recognition is given to states that control no territory, everybody politely forbearing to mention that, like the emperor's clothes, there is really nothing there at all. Other states are said not to exist, although they have successfully thrown all invaders from their borders. Children are being taught every day of empires long vanished, and red lines on their school maps enclose territories from which their fathers have been ruthlessly expelled. With so much confusion abroad, the value of objective studies in political geography, such as this, is clear.

Dr Goblet distinguishes between the immediate uses of political geography and what he calls its scientific aims, and this is surely useful. There can be little doubt about the desirability of an adequate geographical information service, whether for individuals or for Foreign Offices. As for the longer-term aims, it is surely legitimate to study "the part played by the territorial element in the development of states," but some will wonder how far it is possible to determine "geographical laws relating to their rise and fall."

Having made his standpoint clear, Dr Goblet devotes most of his book to the observation and classification of the facts of political geography. As a contemporary observer of the numerous frontier changes and of the rise and fall of states during the last twenty-five years, he has much of the greatest interest and importance to contribute. The systematic approach, with its emphasis on analysis, is also a most welcome contrast with the purely descriptive, regional method of some recent works in this field. The book, however, has certain idiosyncrasies. These are partly a matter of style; Dr Goblet is liable to break his admirable English with a phrase or simile which a native writer would avoid as inappropriate to the context or outworn. As regards content, although one easily forgives minor detours, such as an account of the allegedly low dietary value of modern food, it is slightly alarming to find the writer apparently retreating from his own high standards of impartiality on issues such as the Jewish-Arab conflict or the exact status of Algeria. Nevertheless, this is a stimulating contribution to a field of geography which, since the dethronement of *Geopolitik*, has been comparatively neglected.

India's Challenge to China
SPOTLIGHT ON ASIA.
By Guy Wint.
Penguin Books. 222 pages. 2s. 6d.

THE temporary "freezing" of the international situation in Europe has contributed to making the struggle for power seem more fluid in the Middle and Far East. The Asian peregrinations of Marshal Bulganin and Mr Khrushchev have certainly underlined the direction

of Soviet interests. Specialist studies of the area are not lacking, but the ordinary newspaper reader, bewildered by the complexity of a subject that recurs in the daily headlines, has a right to expect the kind of spoon-feeding Mr Wint has now given him.

To undertake to expose the basic problems of Asia, both in their local and in their international contexts without neglecting the historical background of the more important countries, presupposes a high skill in condensation. Mr Wint has that skill. He writes with disarming simplicity and clarity, and with the authority of a man who has spent many years in the two more most important countries of Asia—India and China. Inevitably, many details are blurred—as indeed they should be, if the main outline is to remain clear to his presumed readership. But this main outline is brilliantly clear; the great drama of Asia today, which is the peaceful competition between India and China in the economic field, is presented with a telling concentration on essentials. There is indeed little doubt that the degree of India's success in abolishing poverty by the methods of "controlled liberalism" will profoundly affect the resistance of other Asian nations to the lure of China's coercive path to plenty.

As the author shrewdly observes, the totalitarian victory in China was made historically probable both by the absence of western influence on its traditional administrative cadres, and by the fact that the Kuomintang, under the advice of Borodin, had organised itself on communist party lines. It should be added that the chapters devoted to the communist revolution in China constitute the best short account now available in English.

Literary Jottings

THOMAS HARDY'S NOTEBOOKS.
Edited and with Notes by Evelyn Hardy.
The Hogarth Press. 135 pages. 10s. 6d.

THE notebooks of a creative artist can be supremely fascinating. The sketch-books of Leonardo da Vinci tell us more about his genius than his finished compositions; the journals of Gerard Manley Hopkins immensely enrich our understanding of both man and poet. Some notebooks give us the privilege of entry into studio or workshop; others almost convict us of trespassing and eavesdropping, so obviously were they intended to be private.

There is nothing self-revealing in the two notebooks of Thomas Hardy now made public, and not much that illuminates his methods of work; but the fragmentary jottings have been presented with such appreciative perception by the editor that their worth has been greatly enhanced. Miss Hardy herself admits that at first glance the material is disappointing. Some five years before his death, Hardy went through his old notebooks, destroying many of them, but copying into new books certain items that he thought valuable. One of these revised note-

books, compiled probably in 1923, is presented in its entirety; it covers the years 1867-1920. The second unpublished notebook was extensively used by Hardy himself when drafting "The Later Years," and the editor has therefore only reprinted such entries as have not already been given to the public.

Miss Hardy, with her intimate knowledge of the writer's whole life and output, is able to bring out the significance of even the duller item, by identifying people and places briefly referred to and connecting paragraphs in the notebooks with passages in the novels and poems. Though a large proportion of the entries are the better for this editorial aid, many are of intrinsic interest. There are a number of careful and vivid records of rustic customs and characters, and several real or imagined episodes set down as possible material for plots. Descriptions of scenery, and particularly of the effects of the weather, are often striking. Now and again Hardy ventures an aphorism, but wit was not his strong suit; a grim humour is often betrayed in his choice of anecdotes and country sayings.

One cannot derive from these random jottings any clear impression of Hardy's personality, but they do indicate the kind of things that interested him, and to a student of his works they are genuinely valuable. So are the hitherto unpublished letters from Mrs Martin, the lady of the manor of Kingston Maurward, who taught little Thomas his alphabet and kept up an affectionate interest in his career.

Books Received

INCOME AND WEALTH: Series V.
Edited by Simon Kuznets. International Association for Research in Income and Wealth. *Bowes and Bowes*. 256 pages. 42s.

THE BRITISH SYSTEM OF TAXATION.
Her Majesty's Stationery Office. 45 pages. 2s. 6d.

This clear and comprehensive pamphlet is issued by the Central Office of Information and describes the principles underlying British taxes and the history of some of them. Direct taxation is distinguished from indirect, and for the former illustrative tables are given in an appendix. There is also a short account of local taxation.

CARLYLE: Selected Works, Reminiscences and Letters.
Edited by Julian Symons. *Hart-Davis*. 784 pages. 27s. 6d.
This is the latest in the publisher's series called the Reynard Library, in which selections from classic writers are reprinted. It has a short introduction by the editor and a chronological table of Carlyle's life and works.

RULES OF GOLF.
Once again the Royal Insurance Company have put golfers in their debt with a new edition of the rules to include the revisions that came into force on January 1st. Copies are obtainable from the company at 1 North John Street, Liverpool, 2.

SOUTH AFRICAN MINING AND ENGINEERING YEAR BOOK 1955-56.
Edited by S. R. Potter. *South African Mining Journal Syndicate*. 676 pages. 63s.

ECONOMIST, APRIL 14, 1956

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"Among the thirty contributors are such masters as G. Florovsky and Isaiah Berlin, several internationally known authorities, and a number of younger students who show themselves to be no mean rivals to their elders. Most of the papers are based on original research, and it is the resulting freshness that is the most welcome feature of this book." *Manchester Guardian* (Harvard University Press) 60s. net

The Economic Development of Malaya

This mission of the International Bank for Reconstruction and Development spent several months in Malaya and Singapore. Its recommendations for the Federation put emphasis on replanting the rubber areas with high-yielding varieties which can compete successfully with synthetic rubber. For Singapore the greatest part of the proposed expenditure is to go towards housing, social services and public utilities. (Johns Hopkins Press) *Illustrated* 60s. net

Survey of International Affairs 1953

BY PETER CALVOCORESSI, assisted
by CORAL BELL 48s. net

Documents on International Affairs 1953

Selected and edited by
DENISE FOLLIOT

57s. 6d. net

English Politics in the Early Eighteenth Century

BY ROBERT WALCOTT

This book analyses the structure and functioning of political parties—chiefly in the House of Commons—at the end of the reign of William III and during the first part of Anne's reign. 18s. net

Country Banking in the Industrial Revolution

BY L. S. PRESSNELL

The financial system which made possible the Industrial Revolution had three main components—the Bank of England, the London money market, and the country banks. The first two of these have each had their historians, but there has hitherto been no serious study of the last. 70s. net

Use and Abuse of History

BY PIETER GEYL

In this analysis of the philosophy and method of history, Professor Geyl examines the prevailing concepts of history from St. Augustine to the present day. The author's Terry Lectures at Yale provide the basis of this important study. (Yale University Press) 20s. net

The Beginnings of Nyasaland and North-Eastern Rhodesia 1859-95

BY A. J. HANNA

"... an excellent short history of an extraordinary episode ... Mr Hanna tells his tangled tale with admirable clarity and point. He has drawn much useful material from mission records, Rhodes's papers, and the Foreign Office archives ... the characters come vividly to life ..." *Manchester Guardian* 35s. net

OXFORD STUDIES IN AFRICAN AFFAIRS

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BY K. ONWUKA DIKE

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State and municipal bonds and notes	56,018,264
Other bonds and securities	14,489,329
Loans and bills purchased	376,876,486
Accrued interest, accounts receivable, etc.	3,664,325
Stock of the Federal Reserve Bank	1,800,000
Investments in Morgan Grenfell & Co. Limited, Morgan & Cie. Incorporated, and 15 Broad Street Corporation	1,560,001
Banking house	3,000,000
Liability of customers on letters of credit and acceptances	16,905,014
	<u>\$863,191,880</u>

LIABILITIES

Deposits: U. S. Government	\$ 61,862,466
All other	672,156,590
Official checks outstanding	5,812,023
	<u>\$739,831,079</u>
Bills payable	25,000,000
Accounts payable, reserve for taxes, etc.	6,180,345
Acceptances outstanding and letters of credit issued	16,983,054
Capital—300,000 shares	30,000,000
Surplus	30,000,000
Undivided profits	15,197,402
	<u>\$863,191,880</u>

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

Washington, D.C.

WHEN President Eisenhower told the American people of his willingness to stand for re-election, he said that, as "a recovered heart patient," he would be leaving some of his important duties to his "close associates." As a result of this statement leading Democrats, such as Mr Stevenson and Mr Truman, are seriously asserting that, if Mr Eisenhower remains in the White House, the institution of the Presidency itself will be endangered. The Democrats, however, have not yet turned their attention to a closely related phenomenon of current American politics which has been given more serious implications by Mr Eisenhower's frank intention of abridging still further the active role of the President in his Administration. This phenomenon is the increasing tendency of the public to absolve the President from responsibility for the performance of his government.

This development is peculiar to the present Administration, although Mr Eisenhower has not consciously sought to bring it about. Its chief manifestation is the continued popularity of the President while resentment mounts against his subordinates and the programmes they manage. In the farming areas, serious discontent at the Administration's agricultural policy is found side by side with overwhelming approval of Mr Eisenhower. The baffling political situation this creates was exemplified in the recent primary elections in Minnesota. Many Republicans crossed over to vote in the Democratic contest as a protest against falling farm prices and lower farm incomes under the Republicans. But local analysts who are in touch with rural opinion insist that this does not forecast a protest vote against Mr Eisenhower in November. He remains a hero: farm people may blame Congress, which enacted a farm programme recommended by Mr Eisenhower, or they may blame the Republican party, which he leads, or they may blame the Secretary of Agriculture, Mr Benson, whom he appointed, but they do not blame Mr Eisenhower. In the northwest, the Secretary of the Interior, Mr McKay, is the scapegoat for Mr Eisenhower's decisions on natural resources and hydro-electricity. In foreign affairs, the arrows are aimed at Mr Dulles, the Secretary of State. The critics of military policy take as their targets the Secretary of Defence or the frugal Secretary of the Treasury, but they do not call the military professional, General Eisenhower, to account.

This tendency to regard the President as the censor of government actions, rather than as their author, is contrary to the native political tradition. It also seems incompatible with the unique American governmental process in which the structures of executive, and of political responsibility

under the party system, are tied to one man, the President. While it is easy to identify and describe the phenomenon, it is not at all easy to explain it. Some of the more thoughtful observers consider that it has at least part of its origin in the way in which mass opinion was manipulated on Mr Eisenhower's behalf from the earliest days of his candidacy by the most talented and advanced practitioners of the cynical art of publicity. To begin with, Mr Eisenhower admittedly had only a limited acquaintance with public affairs and politics, and it was necessary to build him up as a personality above and apart from them. The voters approved, perhaps because they had just gone through six uninterrupted years of a public scolding match between Mr Truman and the late Senator Taft; they may well have wanted peace and quiet more than anything else.

It is possible also that in a world where new problems of unprecedented magnitude and complexity are always appearing, voters have an inner urge to abdicate some of the political responsibility which a democratic system puts on them. Perhaps they believe that back in some forgotten good old time the Presidency was always above the daily argument, and that the Eisenhower concept re-establishes a tradition broken in the nineteen-thirties by Franklin Roosevelt and Mr Truman. The trouble with this nostalgic dream is that, where Presidents having real stature are concerned, it is necessary to go back to the sixth, John Quincy Adams, to find one who nourished the party spirit among the people as little as does Mr Eisenhower; after four years of him, the people chose Andrew Jackson in 1828 because they preferred political contention. At any rate, a conscientious voter could scarcely argue now that what was good enough for the nineteenth century and the first quarter of the twentieth fits the circumstances of today, when the government has its nose inside every economic, social, military and international tent.

The intensity of the modern challenge to the voter could, of course, explain his withdrawal, if such it be. It is much easier to take issues one at a time, identifying them with the subordinate who is immediately responsible, equating farm prices with Mr Benson, hydro-electricity with Mr McKay, the Middle East with Mr Dulles, than to draw up a complete ledger and compute the net worth of the President himself, although he is, or should be, the sum of all the issues and all the officials. The voter's obligation to do this arithmetic is, however, a distinctive characteristic of the American system.

Even if President Eisenhower has not knowingly initiated this unmistakable change in American political psychology, his conduct of the Presidency has fostered it. For what seemed to him the best of reasons, to increase efficiency and leave himself more time to think, he had already given new emphasis and scope to his version of the military staff system and to the delegation of responsibility. Now, as a result of his heart attack, his own role is evidently, from his own words, to be curtailed still further. The office of the Presidency is, indeed, to be altered. This is a new political fact. At the same time as Americans are distinguishing, to a degree never reached before, between "President" and "government," the President's actual share in the conduct of his government is becoming even harder to define, as he yields some of his duties to others.

These circumstances have a special relevance for the 1956 election campaign, for their effect is to base the presidential contest, the mainspring of the political system, on personalities rather than on questions of public policy. It follows that, as the gap between "President" and "government" widens in public thought, the ability of the voters to influence the direction of their government by their most effective instrument, their vote in presidential elections, is correspondingly impaired. The obvious corollary is that a candidate who is actually better qualified might well be denied the office solely for having a less glamorous personality, and this risk is increased now that the era of campaigning by television has arrived. When and if the historic identification of the President and the government does break down, then the polarising function of the Presidency in politics will be lost. There will then have occurred a fundamental change in the office of the Presidency and in American political tradition and custom, even though all are rooted in the Constitution.

Do-Nothing Congress?

CONGRESS'S Easter holiday was spoiled by complaints from both party organisations about the almost complete absence of constructive legislation during the present session. Republican officials want to repeat Mr Truman's 1948 strategy in reverse: he owed his unexpected victory in that year largely to his attacks on the poor record of the preceding "do-nothing" Congress, which had been in the charge of his Republican opponents. The Democratic National Committee wants the Congress which is today controlled by its own party to make a good record for Democratic candidates to run on next autumn. It is too early to judge whether or not this criticism is justified, for even without it the second half of the session would have produced a rush of legislation. During the next three months the hard work done in committee rooms is due to appear on the floors of Congress for its final tests.

Nevertheless, it is a little surprising that more has not been accomplished when the leaders of both parties are in general agreement about what needs to be done. Democrats try to put the blame on lack of guidance from the White House and delaying tactics by Republicans, but the primary responsibility lies with the party which has the majority. However, the suggestion that this is a do-nothing Congress

was spurned almost as indignantly by Republican members as by Democrats: such charges are likely to react on sitting members, whatever their party, and both parties know that, once Congress begins to do something, the bitter divisions of opinion within their ranks will become obvious. The deepest split among the Democrats is over civil rights for Negroes, and the Administration has managed to widen this by its demand for legislation on the question.

The President has also embarrassed the Democrats this week with his unusual request for an additional \$550 million in funds for defence, mainly for jet bombers; the request was sent to Congress just as an inquiry was beginning into Democratic allegations that the safety of the United States was being endangered by the Administration's parsimony. Except when it comes to foreign aid, little argument is now expected over appropriations. With a balanced Budget the case for economy has lost much of its attraction, and with contentment general there is little call for extravagant appeals to poverty-stricken areas or underprivileged groups. The farmer is, of course, the exception which proves the present prosperity. From recent elections it appears that he is in open revolt and this explains the speed with which both houses finally approved the unfortunate farm bill this week. It may be unsatisfactory to the President, but it should provide quick relief for the farmer; for this reason it is no longer as certain as it was that Mr Eisenhower will veto it.

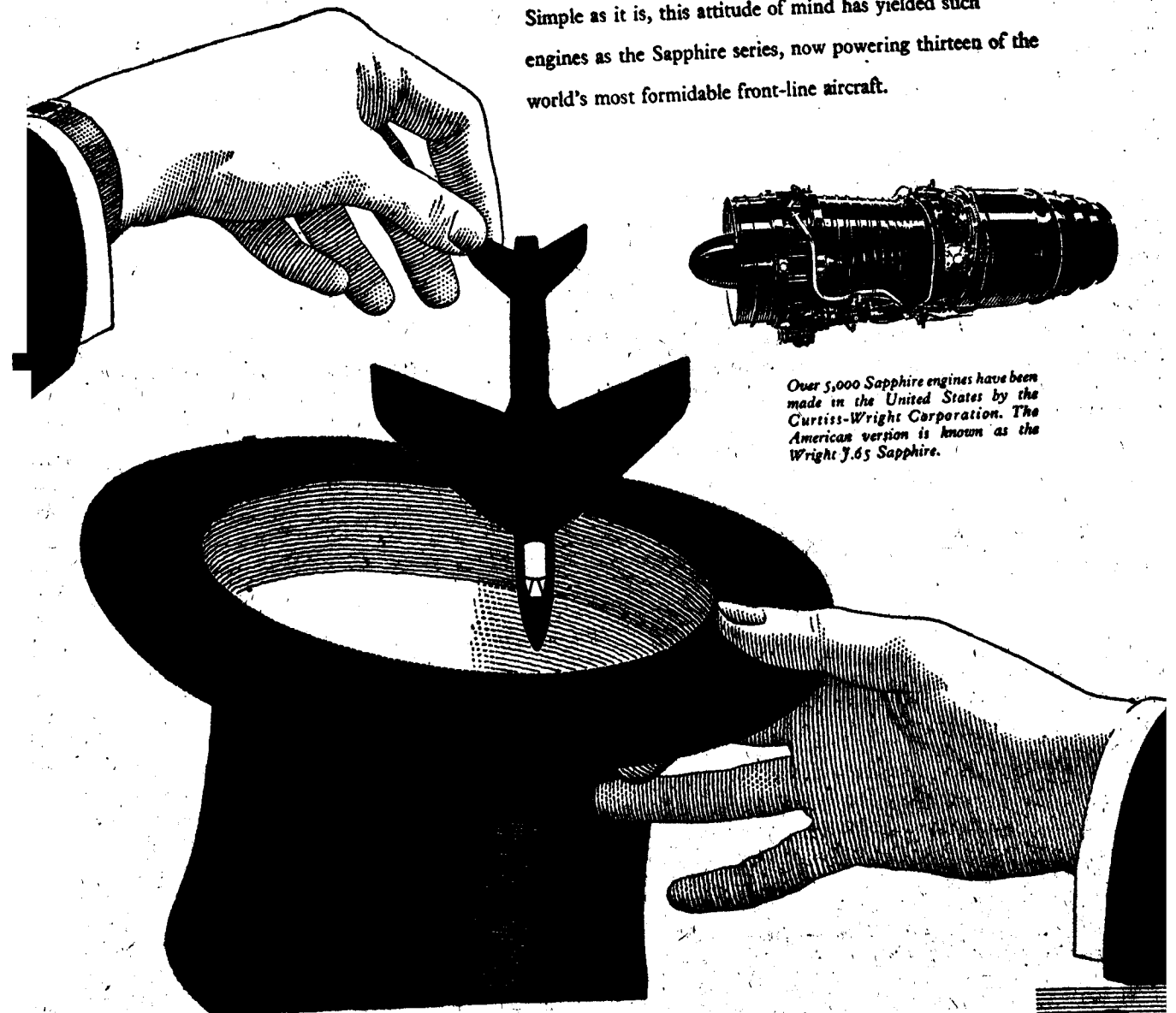
Teamsters in Trouble

THE foul acid-throwing attack on Mr Victor Riesel, a newspaperman who has been courageously exposing the criminal connections of certain New York trade unions, has given added urgency to the current investigation of labour racketeering in that city. This for the moment is centring on local branches of the International Brotherhood of Teamsters, America's largest trade union which dominates the road transport and allied industries. The leadership of the union in the New York district is now the subject of a dispute: the recently-ousted president contends that his successor, Mr John O'Rourke, was elected by a rigged vote with the help of gangsters in the union. Mr O'Rourke, however, is backed by Mr James Hoffa, a dynamic young vice-president of the IBT. During the last few years Mr Hoffa has been extending his influence over the southern and eastern branches of the union from his original base in Detroit—not always, it is alleged, by strictly orthodox means.

Mr Hoffa's attempt to increase his power in New York City has not been confined to supporting Mr O'Rourke. He has also entered, on behalf of his union, into a working agreement with the International Longshoremen's Association, which was turned out of the American Federation of Labour some time ago on the grounds that it was corrupt and dominated by criminals. The community of interest between workers on the docks and in road transport is obvious, and the pact applies to other ports besides New York. But the heart of the agreement was a loan of \$400,000 from the teamsters to pay off the debts incurred by the longshoremen during their militant defiance of the AFL.

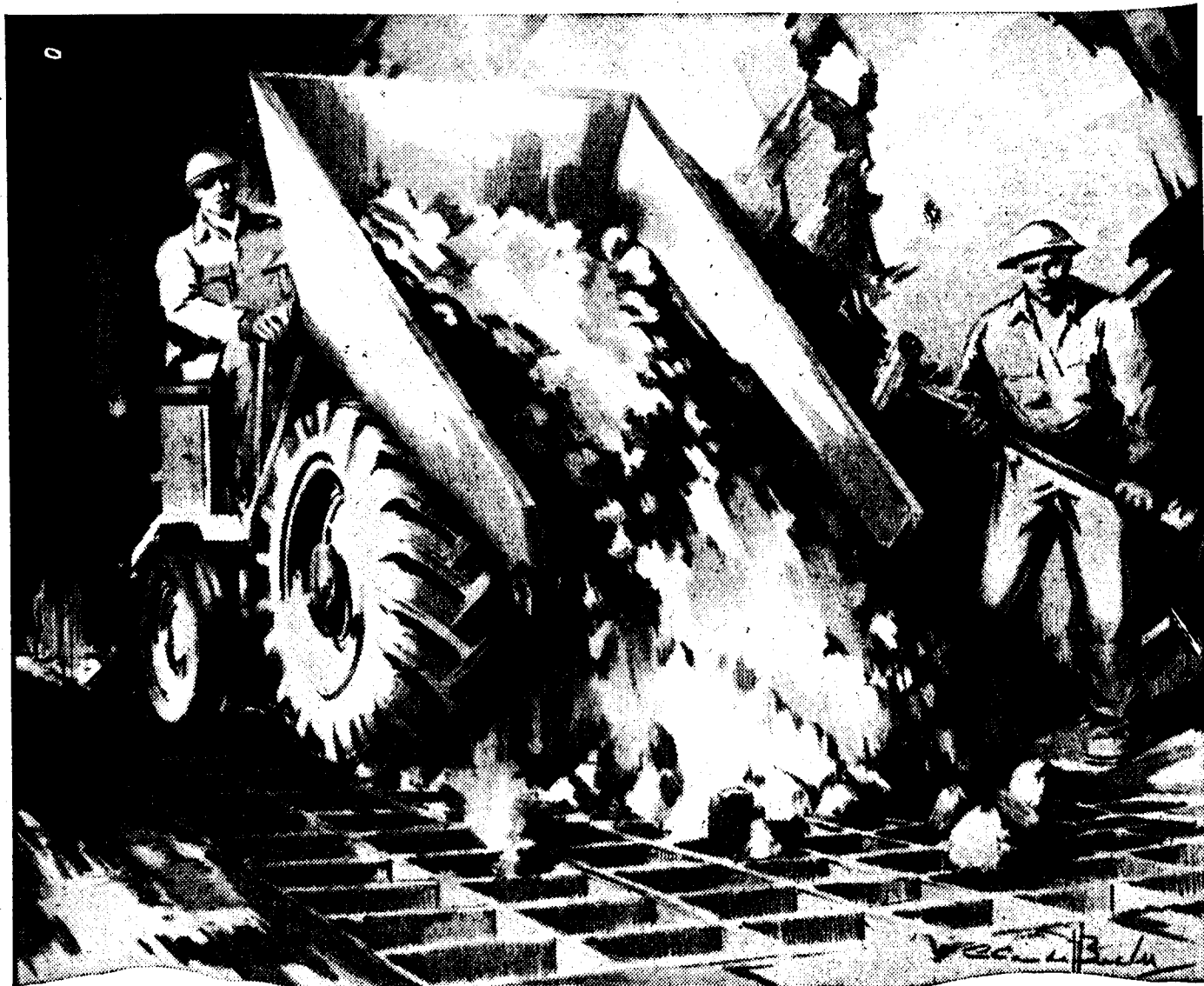
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AGENTS AND OFFICES IN PRINCIPAL CITIES OF THE WORLD.

MAR. 7074

This loan, however, was too much for Mr George Meany, the head of the new national labour organisation which was formed at the beginning of this year by the amalgamation of the AFL with the Congress of Industrial Organisations. He was already incensed at the teamsters' reluctance to submit to the restrictions on union activity which made the merger possible, and he now took an unprecedentedly strong line, announcing that, if the loan to the ILA went through, the teamsters would be suspended from the national organisation. As a result, the teamsters' president, the notorious Mr Dave Beck, stepped in, perhaps welcoming a chance of checking Mr Hoffa, who is rapidly becoming a serious rival. The offer of the loan has been withdrawn, probably for ever, and Mr Beck has been given authority to clean up any branches of the union which need it. But the working agreement with the ILA remains, although the dockers may not think it worth having without the money, and it has yet to be seen what Mr Meany's attitude now is. Should he still threaten suspension, there is a strong group within the IBT, long critical of Mr Hoffa's activities, which would probably desert the teamsters' union if it insists on maintaining its alliance with the longshoremen, even at the expense of its membership in the national labour organisation.

Trade With Reservations

THE chances of Congress approving the Organisation for Trade Co-operation have brightened and, if opposition in the Senate Finance Committee can be overcome, the Administration's foreign trade programme should take an important step forward. At the same time, however, scores of business organisations are clamouring for protection against rising imports and some are trying to fight the federal government's trade policies with the aid of individual state legislatures. For while the export of American goods and services continues at an extremely high level, imports have also risen considerably. They reached a value of \$11.4 billion last year, an increase of \$1.2 billion over 1954 and of \$400 million over the previous record year, 1951. Many Americans are arguing that present tariff regulations do not suit a period in which foreign competitors—particularly in western Europe and Japan—are becoming ever stronger while the American boom may be levelling out.

At the moment the loudest clamour comes from the textile industry, in which there are numerous small manufacturers, many of them hard hit by wage increases and technological changes. The National Association of Wool Manufacturers is asking the government to increase the duty on imported fabrics from 25 to 45 per cent of their value. Imports of cotton textiles from Japan are equal to only some two per cent of total American production, but domestic manufacturers are uttering vociferous protests. Consequently, State Legislatures in South Carolina and Alabama, places which have become textile centres comparatively recently, have passed laws requiring shops which sell Japanese textiles to display signs clearly indicating this sinister fact. These laws probably violate treaty agreements between the United States and Japan and the State Department seems fairly confident that they will be ruled invalid by the courts.

Nevertheless, they display a disturbing trend and the use of a new technique by protectionist interests.

Other industries asking for added tariffs include such perennial plaintiffs as the watch makers, the manufacturers of kitchen ware and fishermen worried by imports of Canadian fish fillets and Japanese tuna. Some businesses are resorting to subtler weapons, such as suits charging that foreign producers are infringing patents or are conspiring to monopolise the American market; an example is the anti-trust suit just brought by the Park and Tilford Corporation against the British Distillers Company and several other whisky firms. But the main argument behind all this outcry—the fear of a recession—is double-edged. For as the automobile industry is continually pointing out, in the case of a slump America must sell even more abroad and there is no more efficient way of shutting off potential markets than to start a new round of tariff increases.

Two-Party Government

THE people of New York have benefited from the facts that members of the State Legislature have to face the voters in November and that Governor Harriman is an increasingly prominent contender for the Democratic presidential nomination. For the Governor and his Republican opponents, who control both houses of the Legislature, have vied with one another in putting forward constructive and popular proposals. At the end of the session, both parties congratulated themselves on their good work and each sought to persuade the voters that it had been accomplished unaided against malevolent opposition from the other party. The foremost result of the session was a reduction of some \$40 million in the state's personal income tax for 1955, allowing individual taxpayers to deduct up to \$35 from their bills. Measures to reduce taxes were put forward by both Democrats and Republicans; but, when the latter pushed their Bill through both houses, Governor Harriman threatened to veto it. He argued that it favoured higher income groups unfairly. At the last moment, however, political shrewdness overcame his equalitarian scruples and he signed the Bill, adding that a surplus of \$54 million during the fiscal year just ended justified some tax relief.

Other projects approved by the Legislature will, however, impose a severe strain on New York's finances. They include \$100 million to finance loans to private builders of houses for middle income groups and \$500 million for highway construction—both in the form of bond issues which must still be submitted to the voters. Mr Harriman disapproves of the highway issue because it does not provide for an extra tax on motor fuels to pay the interest on the bonds. Another conspicuous achievement of the state's divided government was an increase of some \$150 million, over two years, in funds for publicly-supported education. New York City's hard-pressed schools will receive about a third. Finally, after twenty years in the political mill, a measure was approved making third party insurance compulsory for anyone owning an automobile registered in the state. On the whole, the record of the 179th regular session of the State Legislature illustrates one of the paradoxes of American politics: both locally and nationally, the voter is often best served when executive and legislative powers are split between the two parties.

Battle for Power

FROM A CORRESPONDENT IN OREGON

OREGON'S primary elections on May 18th will attract wide attention. Both the strength of President Eisenhower and the rival claims of Mr Stevenson and Senator Kefauver will be tested. Originally the two Democratic contenders for the presidential nomination had both intended to keep out of Oregon, but now they are asking their supporters to write in their names on the ballot paper; the man who wins will have won sixteen votes at the Democratic national convention. In itself, this may not be a major gain, but in the present, hard-fought rivalry even a small victory can be important. On the Republican ballot, Mr Eisenhower's name will stand alone, but the President has become directly involved in the contest for the Republican nomination for the Senate.

With Mr Eisenhower's specific encouragement, and possibly at his request, Mr Douglas McKay, the Secretary of the Interior, flew to Oregon on March 9th and announced that he was giving up his post in the Cabinet in order to run for the Republican nomination for Senator from Oregon. The Administration hopes that Mr McKay will obtain this and will then defeat his Democratic opponent, Senator Wayne Morse, in the November elections. Mr McKay was Governor of Oregon when the President chose him to head the Department of the Interior which deals, among other things, with the management and conservation of the natural resources which are so important in the western United States. Mr Morse is the Oregonian who was twice elected as a Republican, but switched to the Democrats in 1954 and thus gave them a majority in the upper house.

Mr McKay's candidacy shows the gravity with which the Republicans regard the possibility of Senator Morse's re-election. Until two months ago, Republican leaders were confident that they had a strong opponent against Mr Morse in Governor Patterson, a popular and progressive Republican who had been elected to office by an overwhelming majority in spite of the Democratic trend in 1954, which was apparent even in normally Republican Oregon. But Mr Patterson died suddenly of a heart attack on the night of January 31st, only three days after he had announced his intention of standing against Mr Morse. This opened the Republican lists to a number of volunteers. They included Major General Lamar Tooze, a lawyer from Portland, and Mr Philip Hitchcock, an educator and church leader. Both had already been campaigning for the nomination for several weeks when Mr McKay literally dropped out of the sky.

They were understandably astonished. In the immediately preceding months, Mr McKay had emphatically rejected suggestions that he might be a candidate against Senator Morse, declaring that he would retire from politics when he had completed his work as Secretary of the Interior. But on March 5th he had a personal conference with President Eisenhower. Three days later he landed in Oregon, without warning, armed with a "Dear Doug" letter from the President saying: "Your decision to campaign for election to the US Senate from your beloved State of Oregon is worthy of the highest commendation."

Mr McKay arrived in Oregon obviously assuming that other Republican candidates for the Senate would bow

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out. General Tooze readily obliged. But Mr Hitchcock, after three days of deliberation, stood his ground and will oppose Mr McKay for the nomination on May 18th. Mr McKay's victory is by no means assured and, if he is defeated, President Eisenhower's prestige will have been dealt a heavy blow. Mr Hitchcock used to be a State Senator and is well known and liked throughout the 96,000 square miles of Oregon. He is a former Moderator of the Oregon Synod of the Presbyterian Church and has been active in various fraternal organisations. Furthermore, he is considered to be more "liberal" than Mr McKay and has been a prominent leader of the civil rights movement in the state.

There is not much difference, however, to be discerned in the economic philosophies of the two Republicans. It is here that the winner of the nomination will clash directly with Senator Morse, who is one of the Senate's most articulate exponents of the view that the development and management of America's natural resources should be publicly financed. Mr McKay is the very symbol of the Administration's alternative "partnership" policy under which an important share in this field would be reserved for private interests; this policy is strongly supported by the privately owned electricity companies and the great lumber concerns. The issue is especially important in Oregon which lies in the heart of the Columbia River Basin, the greatest source of hydro-electric power in the United States. Mr McKay, who has been accused of "giving away" public lands and wealth to private companies, recently stated:

The power policies are not McKay policies. They are the policies the President enunciated in the campaign in 1952. He was elected by an overwhelming majority. The people must believe in them, too.

It is true that in 1952 Oregon voters overwhelmingly endorsed Mr Eisenhower, knowing his stand on hydro-electric development. But it is also true that, in 1954, these same voters elected Senator Neuberger, a Democrat whose views on natural resources parallel those of Senator Morse, over Mr Cordon, a Republican who advocated the "partnership" policy.

Before Governor Patterson's death, Oregon Republicans felt confident that they could defeat Senator Morse and give their party one of the victories it needs so badly if it is to have a majority in the next Senate. There is no such confidence about either Mr McKay or Mr Hitchcock. All three men, however, are vigorous campaigners and Oregon can be certain of lively times both in May and in November.

New Style Credit

FROM A SPECIAL CORRESPONDENT

THE great rise in instalment buying during 1955 took place without much help from the department stores. Always anxious to maintain their traditions of being quality shopping places, these stores have been reluctant to tempt the customers with easy credit terms and advertisements of "no down payments." Consequently, an increasing share of the consumer's dollar has been captured by the more energetic sellers on credit, the automobile dealers and the

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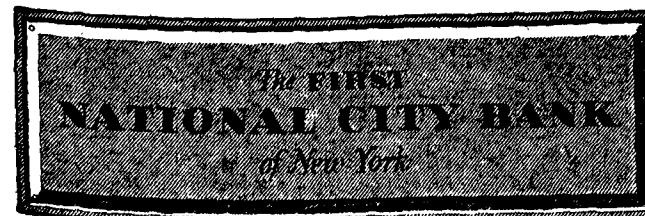
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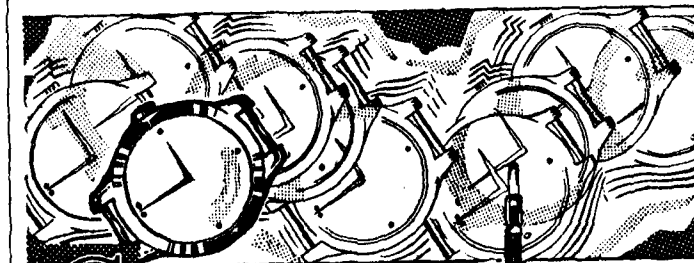
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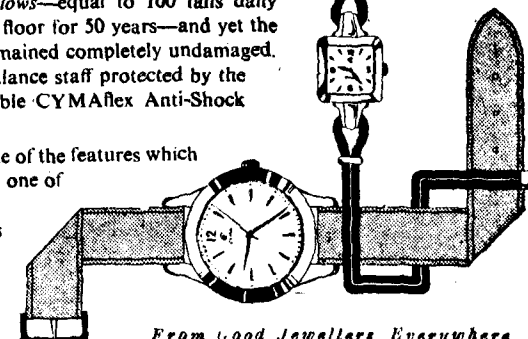
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shops which specialise in electrical appliances. Hire purchase sales of cars and appliances have been booming, while only modest gains have been shown by department store business, which is mostly for cash or on an account which in America must usually be paid at the end of the month. But now, as the solution to easy credit without uneasy dignity, more and more shops are taking up the idea of "revolving credits," which may eventually prove to be the most successful of all plans for paying over a period of time.

Under the new scheme the customer is assigned a credit limit and may be continually in debt to the shop up to this amount; interest of 1 per cent is charged on the unpaid balance. Thus, a customer with a \$400 limit may buy \$300 worth of spring finery, pay \$50 for each of the next three months, and still be able to spend another \$150 for new garden furniture this summer—all without paying more than \$50 at the end of any one month. The department stores have always made some long-term credit facilities available to their customers, for limited categories of merchandise such as furniture and substantial orders for clothing. But the staple elements in department store trade are the myriads of small items which are available under one roof. Under the new revolving credit plans, many purchases of this type can be covered by the one credit, and the temptation is to add a big purchase as well—a fur coat or refrigerator. American women shoppers have a habit of buying each item of a new wardrobe in a different place, partly because it pays to purchase small items in the cut-rate shops. The department stores hope that this habit may be overcome when the new system, with its higher credit limit, reinforces the greater convenience of shopping in one place.

Revolving credit has not yet replaced regular charge accounts at the large city shops, where many well-to-do customers prefer to continue their present arrangements, but it has been introduced at many of these shops side-by-side with the old system. About two-thirds of all American department stores now offer revolving credit; Federated Department Stores, the country's largest chain, does 60 per cent of its total business on some sort of credit, with most of the recent increase resulting from the new plan. The growth has been even more rapid among smaller shops, where the number offering revolving credit plans has more than doubled since 1952. Many of these stores are outside the large cities, since the convenience of being able to charge many items against one credit is very great for suburban and rural shoppers who cannot reach the store often. The new development has put department stores once again in the forefront of the merchandising battle.

More Trust For Brains

THE rarest form of animal life in the United States today is an unemployed scientist or engineer. Even before they graduate from colleges and universities, students in any field of technology or science are wooed with offers of large salaries, free homes and fabulous careers by private industry. Experts estimate that American industry desperately needs 40,000 fully trained new engineers each year instead of the 27,000 being graduated at present. And what is an acute handicap in the development of private

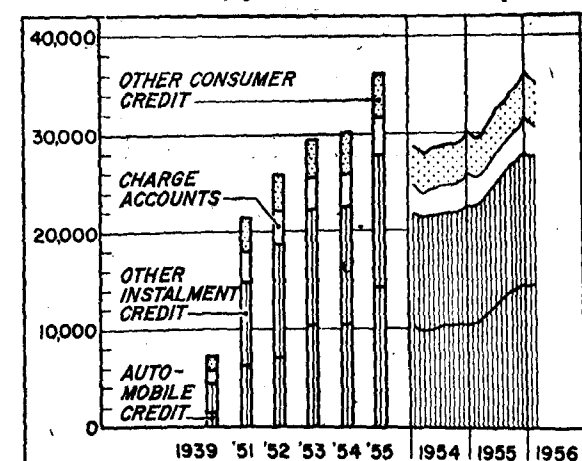
industry has become a matter of survival in terms of military research. A congressional committee recently reported that the Soviet Union, which produced 682,000 specialists and technicians in the period from 1928 to 1954 compared with 480,000 in the United States, was now training more than twice as many as America each year. Shocked by these findings, the President last week established a National Committee for the Development of Scientists and Engineers instructing it to "foster the development of more highly qualified technological manpower."

The material reasons for the present shortage are fairly obvious. Some 60 per cent of the best qualified students in secondary schools do not go on to advanced institutions; 50 per cent of those who do go on do not get a degree; and only a very small percentage obtains a doctorate. Moreover, while 12 per cent of all college students received engineering degrees in 1950, only 8.6 per cent did so last year. But the more fundamental reasons are complex and, in part, unknown. Some observers point out that many secondary schools do not have well-equipped laboratories and that there is a truly desperate shortage of good teachers of mathematics and science at the secondary level, where salaries are utterly inadequate. Others say that the reputation for extreme difficulty enjoyed by contemporary science and technology frightens away all but the most devoted students.

There may, however, be a deeper reason. During the "witch-hunting" period that followed the Korean war, many Americans came to look on scientists as either faintly comical and ineffectual egg heads addled in ivory towers or as definitely sinister personages tainted with subversion and disloyalty. At the request of the Administration, a special committee of distinguished scientists and educators has presented a report which may do much to repair the damage. It recommends above all that political loyalty should not be a primary factor in the granting of government money and support to scientists engaged on non-secret work. The committee pointed out that a cure for cancer coming from a Communist would be as valuable as if it came from anyone else. In short, more trust will attract more brains and the government now seems to realise that brains are the most strategic material of all.

CONSUMER CREDIT OUTSTANDING IN THE UNITED STATES

MILLION DOLLARS; [END OF PERIOD FIGURES]



Birth of a Salesman

FROM A SPECIAL CORRESPONDENT

IN Latin countries, or the new nations of the Far and Middle East, adolescent students can usually be found in the van of revolutionary movements; in America, things are very different. A spectacular example is a burgeoning organisation, Junior Achievement, Incorporated. The purpose of JA is simple: it gives young people, between fifteen and twenty-one, an opportunity of gaining practical knowledge of how American free enterprise works, by enabling them to set up and operate their own miniature business corporations.

Each autumn brings forth a fresh crop of these companies. Generally secondary school students provide all personnel, from executive officers to manual workers; they decide on a product to manufacture or a service to perform; they do the planning, budgeting, and book-keeping; they sell stock in their enterprise, at 50 cents a share. In the spring, before they are scattered by the long summer holiday, they liquidate their company. The winner of last year's Junior Achievement awards, the Metal Engineering Company of Houston, Texas, manufactured and sold 300 outdoor charcoal grills, which they called "Port-a-Pits," at a price of \$9.95 each; at the year's end, they paid a 20 per cent dividend and distributed almost \$600 more among themselves in bonuses. In recognition of this, the company's officers were brought to New York City by the national organisation. There they received their award from the hands of Mr Keith Funston, President of the New York Stock Exchange, heard a speech by Mr M. J. Rathbone, President of the Standard Oil Company of New Jersey, and got their pictures in the *New York Times*.

*

After a period of slow growth—the scheme began on a small scale in Massachusetts over thirty-five years ago, but has grown from 108 companies in 1942 to over 2,000 now—there are signs that JA has reached a point where it will be able to mobilise truly impressive resources in its campaign to organise young America in a Lilliput of capitalist enterprise and to convince the public that not all adolescents are halfway to delinquency. In December, it was announced that 20 major corporations had agreed to back a national publicity campaign for JA and contributions from business and industry pay the rent of local centres and salaries for full-time staff at national headquarters. There is an annual convention (NAJAC) which does everything an American convention should do, including the election of a "Miss NAJAC" to reign over the President's Ball. As incentives to all this activity there are numerous awards, badges, titles and such solid lures as scholarships to colleges and universities, applicants for which "are judged first on their excellence in JA activities. After that, scholastic rating is considered."

Each JA company is sponsored by an adult firm, which provides advisers to help with the intricacies of book-keeping, watch over the safety and practicality of production techniques, and try to fill "achievers" with enthusiasm for salesmanship. At the end of the year each geographical area holds a "Future Unlimited Banquet," at which the

"achievers" with the best records eat a sumptuous meal and are encouraged by distinguished speakers to look back with satisfaction, forward with anticipation. The spirit of JA gatherings may be inferred from a sentence concerning this year's Midwest Conference:

From the kick-off breakfast, where Bud Schwann (Executive Director of JA of the Mississippi Valley) gave the Midwest achievers the saying, "Enthusiasm! Go! Go! Go!" to the final luncheon, everybody was on the ball.

The organisation has its problems. There is always some fall in membership, as the initial "enthusiasm and go" of September fade into the routine of output, one night a week, throughout the school year. Sometimes the products are not wisely chosen, and so do not sell or cost more to make than was expected. Some members enter under the mistaken impression that JA is a lucrative part-time job; actually the emphasis is on gaining experience and acquiring the spirit of enterprise; earnings are usually modest. There is some danger, moreover, that the young boys and girls may be misled into thinking that life in the real world of business will be as pleasantly protected from risks as is life in the JA, where parents and friends can be counted on to buy the product, and where shareholders are not seriously disturbed if their 50 cents turns out to have been an unsound investment.

But there are few organisations in the United States for which it would be safer to predict future success. Junior Achievement has avoided drawing down upon it any large-scale criticism, and even trade union papers have approved it. After all, Junior Achievers are living the great American dream: each one is both a wage labourer and a director of his company. And if the atmosphere of a JA conference, or the tone of its periodicals, leave something to be desired in intellectual content or stylistic elegance, could not the same be said of the "Senior Achievement" that has given the United States a gross national product of \$400 billion annually?

SHORTER NOTES

The special Senate committee which has been investigating the offer of \$2,500 made to Senator Francis Case for his campaign fund early this year has reported that this was an improper, although not necessarily illegal, attempt to influence his vote on the natural gas Bill. The money came indirectly from the head of a big oil and natural gas company. As a result of this incident, which led the President to veto the Bill, another special Senate committee is unenthusiastically undertaking a broader investigation of lobbying activities and contributions to campaign funds.

*

This year's attempt to reform the electoral college system, under which the President and Vice President are elected indirectly, failed to obtain the necessary two-thirds majority in the Senate and is unlikely to have another chance in the present Congress. There is general agreement that the Constitution should be changed, since under it a President who had not obtained a majority of popular votes can be elected, but the Senate was unable to agree on any one of the numerous plans put before it.

The World Overseas

War Drums on the Gold Coast

FROM A CORRESPONDENT LATELY IN WEST AFRICA

THE crisis in the Gold Coast has not yet attracted the attention it deserves; but that it is a crisis nobody need doubt. Certainly the British MPs who recently visited the country were left in no doubt of it. For it is clear that if civil war in the Gold Coast were to follow the granting of independence the repercussions would be far-reaching. This is becoming a grim possibility as the breach widens between the government party (the Convention People's Party of Dr Nkrumah) and the National Liberation Movement. The NLM continues to insist on a constituent assembly and a federal form of government before independence; and—though Dr Nkrumah has repudiated it—a statement has been made by Mr Gbedemah, the able and formidable Minister of Finance, that if the British Government shows reluctance to grant self-government at the proper time, the Gold Coast government will follow the example of the Sudan and simply declare the country independent.

This statement drew the retort from the NLM that it would regard such a step as illegal and would refuse to accept the government's authority. Mr Lennox-Boyd has said that "general agreement" on the constitution was necessary before self-government could be granted. In the present turmoil of threat and counter-threat this "general agreement" is not in sight, unless Dr Nkrumah makes concessions so great that he would satisfy his opponents only at the cost of losing his supporters.

This is the situation in which Mr Lennox-Boyd and Sir Charles Arden-Clarke, the exceptionally able Governor, find themselves as the time-table, planned when Dr Nkrumah was swept to power in June, 1954, moves steadily towards independence day. The crisis, incidentally, comes just when the report of the preparatory commission on the Volta River scheme is about to be published, and plans for a vast investment of capital in the new sovereign state are being shaped. How has it come about?

The rise of the opposition which threatens to wreck everybody's plans dates from that election. There was, indeed, an opposition to the CPP in the new Legislative Assembly, but it was weak and divided, though its poll was greater than the distribution of seats suggested. But it was not in

the Assembly that a new opposition began to develop. One of the government's first acts was to "freeze" the price paid to cocoa farmers by the Marketing Board. In Ashanti two groups saw in this an opportunity for arousing opposition to Dr Nkrumah, and a curious coalition came into being; ever since it has gone from strength to strength.

Bafour Akoto, an influential courtier of the Asantehene, the Paramount of the Ashanti, and a traditionalist strongly critical of the CPP's attitude to chiefs, became titular leader of an Ashanti movement formed in September, 1954, with the support of other traditionalists to protest against

the cocoa price; but the movement's impetus seems to have come from young CPP "rebels" angry either because they had had to accept election candidates nominated by Accra or because they felt that the government's cocoa price policy had let them down. The movement took the name National Liberation Movement, and the turning point came when the Asanteman Council, the organ of the Ashanti Chiefs, gave it official support and the Asantehene himself became in fact if not in name the movement's leader. The Northern Territories Council followed, and when the Legislative Assembly met again at the end of October the centre of Gold Coast politics had shifted from Accra to Kumasi, the headquarters of the NLM.

Since then the movement has been strengthened by the defection of leading members of the Convention People's

Party and by its victory in a by-election in Ashanti. And while the cocoa price issue is almost forgotten, others far more serious have taken its place: a demand for an inquiry into the activities of the government-sponsored Cocoa Purchasing Company, which the NLM alleged had been used by the government as an instrument of bribery, nepotism and political influence; more general charges of corruption, nepotism, and dictatorship; a demand for a new, federal, constitution to allow diffusion of power, to make dictatorship more difficult, and to allow for the special circumstances of Ashanti and the Northern Territories; a demand for new recognition of the status of chiefs; and a general claim that the government elected in 1954 is totally unrepresentative—all these proved popular on NLM platforms.



In Ashanti itself there has been bloodshed, and only police vigilance and the influence of responsible men on both sides have prevented widespread disturbances.

The government was slow to recognise the strength of the movement. But to each of its complaints Dr Nkrumah has, in the end, made some kind of answer. The price of cocoa has been raised; an inquiry into the Cocoa Purchasing Company is to take place; a non-party man has replaced the CPP chairman of the Cocoa Marketing Board; the government has agreed to devolve certain powers to regional bodies; chiefs have been offered more financial security; and the government finally adopted a suggestion first made by Professor Busia of the National Liberation Movement that a constitutional adviser should be invited to the Gold Coast to report on the constitution.

But while this adviser, Sir Frederick Bourne, was at work the government caused the Assembly to pass legislation affecting the chiefs' powers which the Asanteman Council decided was directed at itself, and the National Liberation Movement declined to co-operate with Sir Frederick. He, however, completed his report, which advocates far more decentralisation than the government has yet contemplated, and makes suggestions to meet each of the NLM's grievances. A conference on the report was recently held in Accra, which the NLM declined to attend; it may also decline to attend the debate on it in the legislature.

A general election is the obvious move to avoid what might be a serious threat of civil war. But this would solve nothing if it gave Dr Nkrumah a majority in the country as a whole but the NLM an overwhelming majority in Ashanti and the Northern Territories. So far, Mr Lennox-Boyd has not intervened directly, and has been punctilious in upholding Dr Nkrumah's position. But time is running short. If the deadlock is not resolved, the Secretary of State may himself have to try to bring the parties together.

France's Eye on Inflation

FROM OUR PARIS CORRESPONDENT

THE path of a Socialist government is strewn with pitfalls. M. Moller's team is increasingly suspected by the Left of betraying its principles in Algeria and by the Right of remaining faithful to them at home. As long as the Communists lust for a Popular Front and the Right can savour the spectacle of Socialists resorting unwillingly to force in Algeria, the Assembly will probably hold its fire. But sounds can be heard of weapons being loaded as the deputies prepare to reassemble next week.

Algeria will probably not provide the first target for those who might want shooting practice. The Assembly's programme suggests that the honour will fall to M. Ramadier, the Economic Minister, when he presents his plan for financing an increase in old age pensions. Everyone agrees that the aged should have higher pensions. But the government wants to give nearly four and a half million old people thirty pounds a year more (up to £210 a year for a single person), and to meet the bill of £130 million is a delicate business. Mindful of the inflationary sins of which Socialists are ever accused, M. Ramadier reasonably intends

to raise taxes. Unfortunately, he has aroused widespread opposition as he sets about it.

He first proposed a tax on cars to milk the relatively rich. An angry howl from the car producers' and users' associations filled the press for a week. M. Ramadier changed front: he would find part of his sum by increasing income tax. This offended the trade unions, though in principle they favour direct taxation; the wage-earners who cannot, like shop-keepers, evade taxes and are not, like farmers, virtually exempt from them, would again be footing the bill.

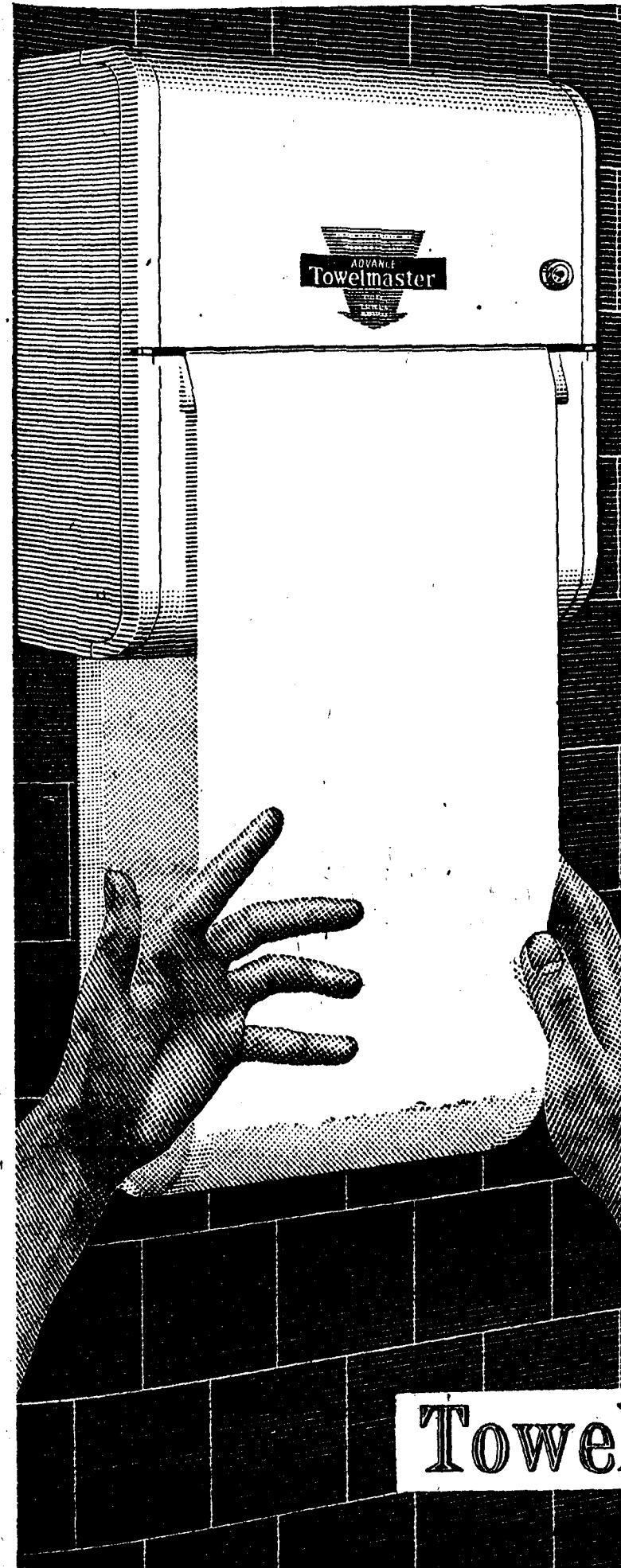
Shaken by this opposition from his own ranks, M. Ramadier then uncovered his battery of fiscal reforms earlier than he intended. He would like to end a much evaded consumption tax which is earmarked by the government for the use of local authorities. The revenue would be recovered by extending income tax at least to the richer farmers. This may possibly placate the unions. But already it seems that the tax is a "favourite" with local authorities; and the farmers may well barricade the country roads in protest (they have done it before) when they learn that they, too, must contribute to the national finances. There is still time for M. Ramadier to take another tack, but it is hard to see what section of society is still left for him to offend. Some people are wondering how he can get the Assembly to vote his well-intentioned schemes. As so often before, it will accept the expenditure but probably refuse to pay the bill.

Cost of Living Creeps Up

This tragi-comic episode, among many such in French fiscal history, is important because it could be used to lay the blame on the government for the fears of inflation now reappearing after several years' monetary stability. Inflation has played such a diabolical part in the weakening of French social cohesion over the last forty years that here, more than elsewhere, the prospect is alarming. Last year salaries and incomes rose, chiefly in the autumn round of wage increases, by 9 or 10 per cent; production only by 6 or 7 per cent. In itself, this development was not too serious. But the prolonged winter frost will weigh, though no one knows how heavily, on food prices through the summer; there is the prospect of £150 million of extra expenditure in Algeria, with no certainty that the spending will end there; and the government has a limited but real programme of social reforms that cost money.

Slowly the cost of living index is moving up to the level where the law requires that the national basic wage be raised by 5 per cent. Because wages are already much higher than this minimum, actual wages need not follow suit. The unions do in fact heartily fear inflation. But they gained strength after their successes last autumn for the first time since 1948, and it would be hard for them to remain passive at the breaking of a price barrier which has been the *ne plus ultra* of government economists for four years. Even then, limited wage increases in the spring might not prove inflationary. But the government would feel safer if wage demands were postponed till the autumn, when the bill could be more comfortably met.

Accordingly it is doing its utmost to keep the unions out of temptation's way by holding the cost of living index below the critical level of 149.1 points (it had reached 148.1 on April 1st). With much administrative ingenuity and some success it has been weighing down on the prices of the most critically affected of the 213 items which make up the index. It hopes by fractional adjustments to keep



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OUR SHOWROOMS FOR IDEAS ON BUSINESS FURNISHING

below the decimal point till late summer. The basis for this hope is the continuing boom. If industrial output merely maintains throughout the year the rates set by the January and February figures—and it seems almost certain to do so for several months—the national income should rise almost as much again in 1956 as in 1955.

Except in steel and in engineering plants making investment goods, industrial production still seems able to keep pace with demand, and for most consumer articles there is still little immediate pressure on prices. The balance of payments position is not as good as last year, but the Treasury reserves, standing at \$1,800 million, are still nearly as big as those of the sterling area for a much smaller volume of trade. Savings are high and still increasing. Optimism remains the dominant mood, though it is an increasingly wary optimism.

The question is, whose optimism? The economist's, based on statistics, is fairly well assured. But the business man's? This is where the criticisms of M. Ramadier's tax schemes, shown out at the door of logic, reappear by the window of emotion. In a country much beset by inflation business men tend to assume that taxes mean rising prices, and once people begin to speculate on rising prices, the neat sums of the economists are so much paper in the wind.

At present there is no question of a credit squeeze. The authorities do not think one is needed; they are not sure how effective it would be, and they do not want it. They do not want to backslide once more on liberalisation measures that are helping to persuade numbers of French firms to modernise. They do not want to cut down on investments. Most of the present fears of inflation boil down to a realisation that in some key industries, like steel and machine tools, reserve production capacities no longer exist, and to a suspicion that in others investment has been inadequate and that shortages may suddenly appear. The problem is less to pay for Algeria than to maintain and increase the rate of economic expansion. The French planners hope that national income will have risen by more than a quarter by 1961. France can afford little less if she is to keep pace with the world. But the situation is being carefully watched. Inflation could so undermine the country that economic aims would become almost irrelevant beside the frustrations to which Algeria is already bringing a bitter yeast.

Setting Dollar Trade Free

THERE are few surprises in the report recently published by the Organisation for European Economic Co-operation (OEEC) on the progress made in the liberalisation of trade with the United States and Canada.* But there is much to suggest that the waters of dollar competition may not be as icy as feared, and that they can be stimulating rather than paralysing to those who brave them.

The report was prepared by the joint trade and payments committee of the OEEC in accordance with a cautious recommendation of the Council, originally adopted in December, 1954, and reaffirmed last February. This urged member countries to relax quantitative restrictions on

* OEEC, *Liberalisation of Europe's Dollar Trade*, March, 1956, 135 pages, HMSO, 8s.

imports of goods (and invisible transactions) from the dollar area. No attempt has been made to work out a code of liberalisation or to agree on progressive stages of liberalisation of dollar trade, as was done in the case of intra-European trade, but the progress made by member countries is kept under review. Last September, experts from the OEEC capitals and from Washington and Ottawa met in Paris to discuss the patterns that seemed to be emerging from the liberalisation measures already undertaken and the difficulties and dangers of further liberalisation. Little was said about these discussions at the time, partly to encourage frankness and partly out of deference to those who were reluctant to be pushed into specific commitments.

PERCENTAGE OF FREED IMPORTS ON 1st JANUARY, 1956, AS COMPARED WITH PRIVATE IMPORTS FROM THE UNITED STATES AND CANADA.

On the basis of the import figures for 1953.

Countries Applying Liberalisation Lists	Cat. I Food and Feeding stuffs	Cat. II Raw Materi- als.	Cat. III Manu- factured products	Total
Germany	77	62	78	68
Austria	3	17	11	8
Benelux	88	81	89	87
Denmark	77	45	41	55
France	0	9	14	11
Greece	100	100	97	99
Ireland	7	43	2	15
Iceland	86	67	15	33
Italy	2	41	6	24
Portugal	92	21	26	53
United Kingdom	73	70	5	56
Sweden	71	61	64	64
Switzerland	94	100	99	98

As the accompanying table shows, there is wide variation among the OEEC countries in the pattern and extent of liberalisation, and average figures for the group as a whole mean little. Moreover, it should be noted that the figures for the group are strongly influenced by the record of the United Kingdom, which accounted for 42 per cent of the private imports of the OEEC member countries in the base year. As in the case of the liberalisation of intra-European trade, the percentage figures apply only to private trade—which makes the record for agricultural products, in particular, look better than it is. On the other hand, the figures do not accurately reflect the amount of relaxation which in fact exists, since they do not take into account various measures of partial liberalisation, such as increases in quotas or a liberal licensing system.

The OEEC committee is fully alive to the pitfalls in its own statistics. However, it has felt able to draw a number of tentative but illuminating conclusions. Although, since the last quarter of 1954, OEEC imports from North America have increased by 40 per cent, while imports from European sources increased by only 15 per cent, the report attributes this increase principally to the expansion in European production. Liberalisation made it easier for European industries to supplement European supplies of raw materials, and basic products required to feed the expansion, but did not result in any appreciable displacement of European supplies. And the share of their total imports which OEEC countries take from each other is today appreciably higher than it was in 1938, whereas the proportion imported from the United States and Canada is roughly the same. On the record so far, the bogey of a massive, sudden substitution of dollar goods has clearly failed to materialise.

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As was to be expected, imports of raw materials and basic commodities have generally been treated more liberally than manufactured goods. This is strikingly true in the case of the United Kingdom, and, because of the important part Britain plays in the total, the report refrains from any general conclusions on the effects of substantial liberalisation in this category of goods. However, it points reassuringly to the experience of Switzerland and the Belgo-Luxembourg Economic Union. In these countries, which have a long record of liberalisation, the proportion of the total imports of manufactured products coming from the United States and Canada has declined over the last four years, while the share of other OEEC countries has increased.

The committee found it impossible to reach any clear verdict on the effect of the liberalisation of imports from North America on the balance of payments, both because it is difficult to disentangle the effects of liberalisation from those of the general economic upswing in Europe and because liberalisation has contradictory results. Increased imports from the dollar area are obviously a charge on the balance of payments. But, to the extent that liberalisation has enabled industry to buy raw materials and equipment not otherwise obtainable, or at lower cost, it has meant higher, and more competitive, production and exports. Again the report is cautiously reassuring. And sensibly, but unobtrusively, it points to further liberalisation of imports from the dollar area as the right road to convertibility.

Armenian Church Politics

A QUARTER of a million Gregorian Armenians living in Syria, the Lebanon and Cyprus, have had to elect a new Catholicos of the Great House of Cilicia. The mother see of this Church is at Etchmiadzin, in Soviet Armenia. The election, which took place just outside Beirut in February, had been postponed more than once since the last Catholicos died three years ago, on account of discord which has its roots in pro- and anti-Soviet thought and feeling, and which makes itself felt among Armenians throughout the world.

A majority of the Electoral Consistory was known to be anti-Soviet and the *locum tenens*, Archbishop Khat, in deference to left-wing pressure, had contrived to postpone the election arranged for last October, stating: "Our sole wish is that the election be conducted in a manner transcending factional considerations and desires, and on a high level where the sole consideration is the general welfare of our people and Church." But, by what a correspondent in Lebanon terms "a happy turn of events," the Archbishop found himself forced by public opinion to resign, and Bishop Khoren, a cleric of an independent turn of mind, took over and prepared to conduct the election. The next development was the unexpected arrival in Beirut of the Catholicos of All Armenians, direct from Soviet Armenia, to supervise the election. During his short stay, His Beatitude was unable to reconcile the conflicting groups, and on the very day of the election, he and his delegation took plane for Cairo to visit the Armenian community in Egypt. His mission had failed, and the former Archbishop of Aleppo, who is only 41, a scholar, a linguist, and a good

organiser, was elected by 32 out of fifty votes. A majority of Armenians in the Diaspora have been filled with joy by this appointment, which places the affairs of the Great House of Cilicia in the hands of a worthy servant who has its interests at heart. The new Catholicos is a liberal-minded ecclesiastic, whose known character makes it certain that he will not be subservient to Etchmiadzin.

From Cairo, the Supreme Catholicos announced the verdict of a Council of Bishops that the February election was unfair and unacceptable. The Council of Bishops added, however, that provided the newly elected Catholicos of Cilicia would recognise his subservience to the Catholicos of Etchmiadzin, it would recognise the validity of his election. The Catholicate of the Great House of Cilicia has rejected the condition. The Supreme Catholicos, Vazgen I, has since moved on to visit his flock in Britain and is staying for a few days at Lambeth.

The Soviet arm stretches southward into the Middle East in many guises. The work done by Soviet Moslems is well known. Another and a fortuitous opening has appeared in the ranks of the Orthodox church owing to a disagreement that has followed the death of the Patriarch of Jerusalem. The Jordan government, with the desires of the patriarchate's local Arab flock in mind, has asked for indefinite postponement of a new election; this is its way of championing Arab representation in the Holy Synod, hitherto a Greek preserve because of the ecumenical role of the Mother of Sees. The Russian Orthodox Church is likely to throw its weight on the side of these Christian Arabs. Probably Soviet intrusion will be more welcome to them than to the Gregorian Armenians.

Canada's Maritime Provinces

FROM OUR OTTAWA CORRESPONDENT

MR WALTER HARRIS'S second budget made so little change in the Canadian government's fiscal position that the opposition had to direct its fire, not at what was in it, but at what was not. The irrelevancies common to Canadian budget debates took on an appearance of form and system. Mr J. M. Macdonnell, the Conservative financial critic, set the pace with a complaint that nothing had been done for any of the "soft spots" in the generally booming Canadian economy; and prominent among these he put the Maritime provinces.

It was not, perhaps, entirely absent from his mind that two of the Maritime provinces—Nova Scotia and New Brunswick—are expecting provincial elections this summer; and in both cases the Conservatives' prospects are good. They won control of the provincial government of New Brunswick in October, 1952, for the first time since 1935. The provincial premier, Mr Hugh John Flemming, has proved able and popular, and he will probably have his mandate renewed. In Nova Scotia the long years of Liberal administration, which exceed even the federal government's 21 years, have not yet been broken. But Mr Angus L. Macdonald, who was the Liberals' leader, prophet and hero in Nova Scotia and had grown to be almost unbearable, died in 1954. He was succeeded, after a bitter struggle, by Mr Henry Hicks, a young and able lawyer and former Rhodes scholar. Mr Hicks need not call an election

for some years yet; but if he does decide to try to consolidate his position by going to the polls, it will be the best electoral fight Nova Scotia has had for a long time.

Control of provincial governments is beginning to seem specially important to the Conservative party because it hopes to make large inroads on the federal Liberals at the general election expected next year. One or two Liberal upsets in the provinces might have a psychological effect on the federal voting. The only two provinces where there are now strongly entrenched Liberal administrations are Newfoundland and Prince Edward Island. Manitoba keeps a Liberal government, though it is having troubles, and a vigorously led Conservative opposition appears to be making some headway there, as in Nova Scotia.

The federal Conservative party has not been at all specific about what it would do to help the Maritime provinces: it simply declares that the government is neglecting them, and that it should be the task of statesmanship to raise these least-favoured regions to the level of prosperity enjoyed in the rest of Canada. On any calculation the four Atlantic provinces—Newfoundland, Nova Scotia, New Brunswick and Prince Edward Island—have lagged behind the rest of Canada in growth. Their population increase, per capita incomes, provincial revenues and new investment have all been lower in the postwar years than in the country as a whole.

All this does not mean that the Maritime provinces have made no progress. But in general they neither possess as rich resources as does the rest of Canada nor have they made the best of those they have. The region could, for example, almost certainly supply itself with meat; but it imports a major part of its food supply from central Canada. On the whole it still sticks to a pattern of small subsistence farms which can barely support the people trying to live off them. If beef-raising is to become an economic proposition, farms must be consolidated into larger units, and organised marketing and packing arranged. It is much the same with other crops like apples and fruit. Great strides have been made in Nova Scotia in systematic apple-marketing, and in packing and selling eggs and some pig products. But these achievements have merely pointed the way; they have not solved the problem.

The inhabitants of the Maritime provinces are perhaps more conservative and individualistic than those of almost

any other part of North America. Their roots go down deeper, and they take less kindly to the slick salesmanship of the present age. Many of them doubt whether economic advancement is the supreme goal: they rather think they might prefer a staid society even if it meant being poorer. The little town of Fredericton had to decide recently what to do about a big army camp which the Canadian government wanted to build in the neighbourhood and which might have provided the sort of boost that chambers of commerce in most small towns would beg for. But Fredericton decided not to let the government build its new service housing as part of the town, where the local shopkeepers and contractors could expect to get the greatest benefit from it. The married quarters are being built as a separate community at Gagetown some miles away.

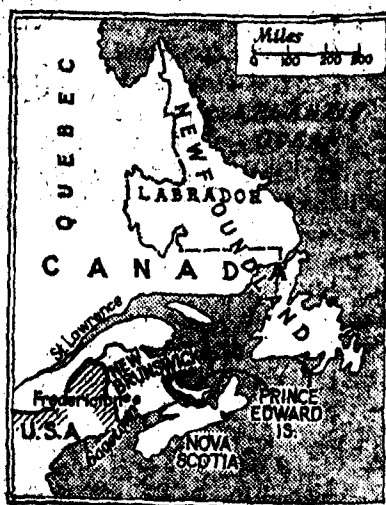
This does not mean that the rush to develop new resources has by-passed the Maritimes altogether. In New Brunswick especially, and also to some extent in Nova Scotia, new mineral finds and new wood industries have been bringing substantial investment.

New pulp mills are planned in both provinces. Nova Scotia has a big new gypsum plant, which is now supplying a good proportion of American needs. New Brunswick has large lead, zinc and copper deposits now under exploitation, and is anxious to ensure that the ores are smelted in the province rather than shipped out virtually raw to the United States.

This is one reason why so much importance is attached to the development of new power sources. None of the Maritime provinces—except for the Labrador dependency of Newfoundland—has adequate water power. They are looking to mixed systems, supplementing water power with thermal plants. They have plenty of coal, but imported residual fuel oils threaten to undercut the price at which it can be mined.

The mainland Maritime provinces have long tended to blame their economic difficulties on two of the major consequences of the Confederation of 1867 which joined the provinces into the Dominion of Canada. These are tariffs and high transportation costs. The Maritime provinces were cut off, they say, from their neighbouring markets in the United States, and were forced to try to sell their products in central Canada which could only be reached by costly rail transport. A longstanding system of subsidies is designed to offset this disadvantage; but of course there are constant complaints that it is inadequate.

A new organisation called the Atlantic Provinces Economic Council is now trying to launch a concerted drive on some of the region's problems. This attempt to spur local initiative, and to get away from the debilitating habit of asking for more and more subsidies, has been very warmly welcomed in the rest of Canada. The Council will no doubt get help from elsewhere in the Dominion, and from the federal government. But the initiative is beginning to come from the right place.



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THE BUSINESS WORLD

Bigness in Britain

A LIST of the largest companies in British business, to most people, will have no more than curiosity value. But problems of size are always intriguing and there is plenty of material for a quiz about bigness in the list of public companies whose shares are quoted on the Stock Exchange with assets exceeding £2½ million that the National Institute of Economic and Social Research has produced this week.* It may even stimulate the heart-searching that is only now beginning in this country about bigness in industry. On the economic and political considerations connected with bigness this list of large companies, ranked in order of assets and of income and classified into industrial groups, has nothing to say. It merely shows how, in absolute size, the queue of giants forms on the right. The list is one of the first fruits of research by the institute into business bigness—how it becomes big and how it stays big. These are subjects that are bound to come under intense discussion in the next few years. Since 1951 the institute has been studying the sources of finance available to public companies in Britain and its assembly of facts for that purpose has thrown up a ranking of companies by size and industrial grouping; moreover, the institute has necessarily been concerned with the behaviour of the largest companies to see if they differ from other companies in the way they finance their expansion. In 1954, moreover, the institute began further research specifically into business concentration, and has been enquiring into the order of size of companies quoted on the market since 1885, and into the extent of concentration in particular industries in 1951.

The institute's new pamphlet sets out the hundred largest public companies operating primarily inside Britain which are quoted on the Stock Exchange, ranked by the size of their assets in 1953-54.

* A Classified List of Large Companies Engaged in British Industry. 39 pages. Copies obtainable from the National Institute of Economic and Social Research, price 5s.

It also shows how these would be ranked by their income in that year and by their assets and income in 1954-55. In assets they range from ICI's £360.2 million to the £14 million of Ansell's Brewery. The list cannot completely cover industry in Britain because certain large companies are not public: these include Pilkington (which in substance is the British glass industry) and the Rubery Owen group in engineering. The list then ranks, within their industrial groups, all the 512 quoted public companies with assets of more than £2½ million (an impartial but necessarily arbitrary ranking that may cause irritation here and there) and tabulates the numbers, assets and income of these large companies in different sectors of the economy.

★

It leaves open, tantalisingly, the automatic question: "What share of British industry are these companies responsible for?" The question will be examined in detail when the results of the main research into company finances begin to appear in twelve months or so. But the institute has made some rough and ready estimates, on which the chart on page 166 is based.

From the published list, it can easily be calculated that the hundred largest companies account for about 62 per cent of the assets of the full group of 512 with assets of more than £2½ million each; the hundred have £3,800 million out of £6,200 million. In fact, these 512 large companies account for about 77 per cent of the assets of all the 3,200-odd public companies that have come within the institute's purview—so that the giants can be credited with roughly half the assets of all these quoted public companies.

The next link in the chain is more tenuous. For manufacturing industry, at least, it is possible to arrive at rough estimates of the share that quoted public companies contribute to the gross output of all manu-

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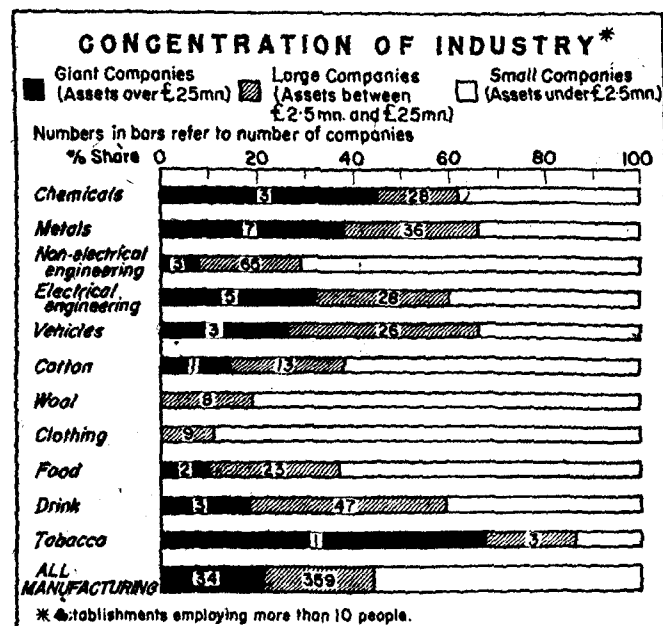
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facturing establishments employing more than ten people each—British industry, that is, as delineated by the Census of Production. The proportion varies sharply; it is nearly 90 per cent in tobacco manufacture but less than a quarter in clothing. For manufacturing as a whole it amounts to about 56 per cent of gross output (but only 48 per cent of employment).

In the broadest sense, by linking shares of assets with shares of output, one can arrive at the estimate that the 75 manufacturing companies included in Britain's "top hundred" account for about 26 per cent of Britain's manufacturing industry (leaving out the tiniest of workshops). Among the 412 other companies with assets of more than £2½ million each there are 318 manufacturing companies; these might account for another 17 per cent of manufacturing. The



remainder of public companies (some 2,100 in manufacturing) represent 13 per cent; and small, or at least not publicly corporate, business makes up some 44 per cent. Comparisons with the Blue Book on National Income, again, suggest similar proportions for the giant companies. In 1953, they would appear to have earned about 23 per cent of all company profits (before deducting depreciation); to have paid out about 26 per cent of all dividends; to have accumulated internal savings (including depreciation) amounting to 27 per cent of those by companies as a whole; and to have accounted for well over 30 per cent of companies' gross investment in fixed assets.

The share that the large and very large companies appear to represent of British manufacturing, classified between industries, is indicated in the chart. The giants have a big share (for comparison, one may quote a recent American estimate cited by Mr J. W. Platt of Shell this week that some 135 American corporations account for 45 per cent of that country's "industrial assets"). Is it, in Britain, a growing share? Many people would guess that it is; and a paper read recently

by other members of the institute's staff* tends to support that view. Using a different measure—market valuations of companies, rather than nominal assets—this study suggests that in the sector of the economy run by public companies (which has itself grown enormously in the last half-century) the market valuation of the shares of the larger companies tended to increase, in comparison with that of the smaller companies, from 1885 to 1939, but there is a suggestion of a small decline between 1939 and 1950. Concentration in these businesses and the value put by investors on bigness appears to have increased over the years up to the war; and it is possible to argue that the apparent later decrease is a consequence of the exceptional opportunities for growth accorded to small business on the outbreak of war. Further calculations made at the institute suggest that the trend towards increasing concentration was resumed in the period 1950-55.

Big business, therefore, covers a very big slice of the British economy—perhaps as big as the share of those other giants, the nationalised industries. Its importance—to judge by its share of investment alone—may well grow further. Is that welcome, inevitable, or alarming? A long line of plausible adjectives, and arguments to support each, may also be said to form up on the right. And with the passing of the Restrictive Practices Bill now before Parliament a new sharpness will be added to the empiricism with which all British political parties declare that they approach this question. For the Monopolies Commission, which in most of its inquiries has been concerned with various cartel arrangements, in which very big firms may or may not have been concerned, will be concerned when the new bill is passed mainly with what the President of the Board of Trade calls "single-firm monopoly."

The commission's reports on bigness may in future serve to inform and develop British public opinion about this subject as they have already done about restrictive practices. Whether any distinctive British attitude towards bigness will evolve remains to be seen; the commission has already shown itself well seized of some of the latest American approaches. But one primary element in American opinion about big business is wholly lacking here. That is a vigorous small business opinion. The small businessman, as even this chart shows, is still a potent force in British industry. He is organised to defend his interests against the state and against the trade unions; sometimes, recent evidence would suggest, against the consumer; but almost never against his giant competitor. The individual free enterpriser in Britain—reason it out how one will—is hardly ever ranged against the big battalions. He is there in the rear rank, trying proudly to keep in step.

* "The Analysis of Business Concentration: A Statistical Approach." By P. E. Hart and S. J. Prais. Read before the Royal Statistical Society on February 15, 1956.

Shares Without a Say

COMPROMISES are not always decisive enough.

Some time ago the Quotations Committee of the London Stock Exchange compromised on, but did not decide, the issue of non-voting ordinary shares. It rejected a plea by the Chartered Institute of Secretaries that the designation "non-voting" (or "restricted voting" as the case may be) in the title of a stock should be a necessary condition for the granting of an official quotation. Instead, the Quotations Committee instructed the Share and Loan Department to recommend that "non-voting" be included in the title.

In turning down the suggestion, the Quotations Department felt that difficulties might arise in connection with shares with restricted rights which would make it impracticable to adopt the Institute's recommendation. Moreover, it would be impossible, short of legislation, to insist that companies must alter the title of their securities. Even the possibility of placing a note in the Official List against non-voting securities was turned down "in view of practical difficulties and the risk of further confusing the public."

There appears to be nothing that the Council of the Stock Exchange can do. It might be argued by some people that there is nothing that it needs to do—that an investor must be presumed to know what he buys, and that if he does not like non-voting shares, he need not buy them. But in practice many investors keep their eyes close to earnings and dividends and are less concerned with the distinction between voting and non-voting shares—or fail to make it until too late. There remains the practical consideration, in many cases, that a real market exists only in the non-voting stock of important companies and the investor, if he wants a financial stake in them, has to accept the non-voting shares or pay much more for the right to vote.

But there is reason for concern when, as is now happening, the non-voting ordinary share threatens to become altogether too popular. As yet, the weight of the non-voting ordinary shares in the stock exchange list is not disproportionate. A year ago the nominal value of non-voting ordinary shares in the commercial and industrial section of the list was about £60.2 million; this was associated with a voting capital of £45.2 million nominal of the same companies. The full industrial list, however, comprised £1,962 million of nominal ordinary capital. The proportions were rather different in terms of market values—the non-voting shares were worth £319.7 million, compared with £192.6 million for the voting shares, and a total market valuation of £5,698 million for all industrial equities—but the figures do not suggest a terrible storm even in this teacup. The really disturbing thing is the rate of growth in non-voting ordinary share issues. This is partly the result of free scrip issues which for many companies—Marks and Spencer for example—are a long-standing tradition. But there are plenty of

cases in which non-voting ordinary shares are designed and intended as a barrier between the "insiders" and the "outsiders." The result of this growth is shown in the last lines of the table; the nominal value of 91 issues of non-voting industrial ordinary shares had risen by the end of September to £69.7 million, with a market value of £345 million.

Such a vigorous sapling ought to be properly catalogued before it is allowed full growth. No one should shrug off the non-voting share as an inevitable product of a managerial society. In such a society shareholders have as much right to voice their views and have their interests considered as workers, consumers, the Government and the managers. Their countervailing power against arbitrary managers may not often be exercised, but it ought to be there.

SOME VOTELESS EQUITIES
(£'000s)

	March 31, 1955		Sept. 30, 1955	
	Nominal Value	Market Value	Nominal Value	Market Value
<i>Carveras</i> —				
Voting	240	480	240	480
Non-voting	7,200	11,520	7,200	9,360
<i>GUS</i> —				
Voting	1,361	13,746	1,361	12,521
Non-voting	7,064	66,402	7,064	61,457
<i>Joseph Lyons</i> —				
Voting	400	2,050	400	1,850
Non-voting	2,555	13,094	2,555	11,817
<i>Marks and Spencer</i> —				
Voting	600	9,540	600	9,900
Non-voting	8,447	108,122	8,447	113,190
<i>Pye</i> —				
Voting	635	3,969	635	2,778
Non-voting	625	3,906	1,886	7,308
<i>A. E. Reed</i> —				
Voting	3,140	11,775	3,140	14,424
Non-voting	3,423	12,622	3,432	15,444
<i>Total 91 industrial companies*</i> —				
Voting	45,158	192,595	45,436	175,080
Non-voting	60,197	319,670	69,663	345,023

* Refers to 91 companies in the Industrial and Commercial list which on September 30th had some non-voting ordinary capital in issue.

Yet it would be unreasonable to set up a case against non-voting shares on some supposed ground of principle. The non-voting ordinary share is sometimes used to keep the managerial control of a company in the hands of a small group, often a family or the original founders of its fortunes. Is that always a bad thing? Or it may be used to seal off the assets and goodwill of a company and to safeguard it against buccaneering raids designed merely to milk it of its earnings and assets without thought for the future. There is a strong presumption against this kind of device. But suppose that the company is still in the first stages of growth and its success is due to the efforts of a small directorial group. Is the limitation of the voting rights of outside shareholders in such a case absolutely objectionable

Where the company has grown to full stature there is indeed little to be said in favour of the disenfranchisement of the bulk of the ordinary shareholders, though it is fair to add that many industrial giants which have issued ordinary shares with restricted voting rights are not noticeably more conservative in their dividends than those whose shareholders have a bigger voice.

Non-voting shares ought always to be regarded with reserve and where they heavily outweigh the voting shares the need for circumspection is all the greater. They can put control in the hands of an irresponsible oligarchy with a minority financial stake, leaving shareholders who shoulder the major risks of the enterprise powerless to defend their interests. The danger lies in the perpetuities that non-voting shares are powerless to control. There is no guarantee in a family firm that ability will be passed on from one generation to another. If managers and directors are efficient and give active consideration to the claims of shareholders, there is little risk that the latter, if they are granted votes, will vote the board out of office and power. No directors ever suffered harm because shareholders could, if they so chose, apply the ginger of criticism by voice and vote in annual general meeting. And many companies are all the better because shareholders in recent years have found their tongues.

A balance has to be struck between the cry to abolish all non-voting shares and the plea to leave well alone.

The remedy is too extreme and the excuse is too complacent. It is too late, even if it were necessary, for London to follow the example of the New York Stock Exchange and refuse to list non-voting shares. Perhaps a solution can be sought in two directions. One course might be to discourage the voteless share and to encourage the restricted voting share which would give the shareholders a voice, even if a small one. Underwriters are already encouraging this compromise and it will do some good. Some institutional investors are taking an even stronger line; their influence was decisive in persuading the directors of Edward High Vacuum and L. Gardner to issue as free scrip ordinary shares with full voting rights, while some of them were chary of taking the ordinary shares of McKechnie Brothers into their portfolios simply because they did not carry votes. The second might be to set a specific limit to the proportion of non-voting to voting shares that a company might issue—though it is easier to say that a reasonable proportion has been exceeded already by some companies than to lay down a hard and fast line for all companies. Investors, when they buy a share, ought to be in no doubt whether it carries a vote or not and here the "recommendation" of the Stock Exchange is not sufficiently imperative. The plain truth is that in most cases votes ought to go with ordinary shares. An equity without a vote is denied its full attributes. Intelligent investment is not conducted best by mutes.

Business Notes

Exports a Record

THE Chancellor can take a modest pat on the back from the British trade returns for March. The provisional figures show that the trade deficit fell further—and for the opposite reason to that of February. In that month imports fell much more than exports; last month exports rose rather more sharply than imports and reached a new peak of £269.6 million fob. The total was £23.5 million higher than in February and nearly £2 million higher than the previous peak of October, 1955. The average monthly value of exports in the first quarter was £257.8 million, over four per cent higher than in the same quarter of last year (when shipments were inflated by the backlog from the dock strike of October, 1954) and 6½ per cent higher than the monthly average for the whole of 1955. Re-exports were fractionally smaller than in February at £13.3 million.

Imports rose by £21.2 million to £330.3 million cif, but were still well below the January total. The average

monthly value in the first quarter was £328.5 million, two per cent less than in the same period of 1955 though one per cent more than the average for that year. The result was a modest fall of £2.1 million to £47.4 million in the

UNITED KINGDOM TRADE
(£ million—monthly averages or calendar months)

	Imports cif	Exports fob	Re-exports fob	Trade Deficit
Year 1955	324.1	242.1	9.9	72.1
1955:—				
1st quarter....	355.1	247.3	10.6	77.1
2nd "	299.8	217.0	8.2	74.6
3rd "	327.1	243.2	9.5	74.3
4th "	334.3	261.0	11.2	62.1
1956:—				
1st quarter*...	328.5	257.8	13.7	57.0
January	346.3	257.9	14.2	74.2
February	339.1	246.1	13.5	49.5
March*	330.3	269.6	13.3	47.4

*Provisional

gross visible trade deficit for March. The average monthly deficit in the first quarter of £57 million, however, showed a big improvement: it was £20 million a month smaller than in the same period of last year and £15 million a month smaller than the average for 1955.

Exports to North America rose further, thanks to what must have been a largely seasonal increase in shipments to Canada. Shipments to Canada were nearly £2 million higher than in February, at £13.3 million, while shipments to the United States fell by £600,000 to £17 million. The monthly average for North America in the first quarter, at £28.5 million, was one-fifth higher than in the same period of last year.

Guiana Tests the Market

CITY opinion does not trust the present rally in markets far. It would at least like to see the colour of the budget before it takes a firm decision. Markets, though thin, have nevertheless been good enough to support minor refinancing operations and to enable the Iron and Steel Holding and Realisation Agency to make a minor private sale of a nationalised undertaking. By the middle of this week gilt-edged were still advancing; the *Financial Times* index of government securities stood at 86.80 compared with 86.68 a week earlier. Industrials, having advanced more vigorously, were already hesitating, though the index at 183.9 still shows a three-point advance in the week. Encouragement could certainly be drawn from the continued strength of the sterling exchange.

The two chief events in the market in a week that could not fail to be overshadowed by budget uncertainty were the British Guiana Loan and the sale by the Iron and Steel Agency of Briton Ferry Steel. British Guiana comes to the market with its first issue since 1951—£3,540,000 of 5 per cent stock 1980-85 at 96½. Since Colonial Government Funds took up the odd £540,000, in effect £3 million was offered to the public. The new stock is a full trustee security yielding £5 3s. 8d. per cent. flat at the issue price and £5 4s. 8d. per cent. to redemption at the final date. The terms were closely tailored to the market. The Rhodesia and Nyasaland 5 per cent stock which is dated 1975-80 and therefore has five years' shorter life stands at about £97. The market nevertheless made up its mind that the issue would be covered by subscriptions. The result announced after market hours on Thursday shows that that expectation was realised.

The Iron and Steel Holding and Realisation Agency has resold the Briton Ferry Steel Company at a substantial profit, the buyer being Duport, the Staffordshire engineering company formerly called Vono Industrial Products. The sale has involved a capital reorganisation, and in the course of it Briton Ferry took over the agency's investment in the small Neath Steel Sheet and Galvanising Company. The net result of the whole transaction is that the proceeds accruing to the Agency were £2,705,000 against an investment of £1,630,996. The purchaser is to retain the one million £1 ordinary shares which form the reorganised capital of Briton Ferry and to dispose of the £1 million 6 per cent debenture stock 1981-86.

The 6 per cent Line

WITH little interruption the rise in both fixed interest and industrial securities has been in progress for three weeks. It is a modest, tentative advance, but it has given just time enough to bring forward a batch of new issues. None of the offers in the past week asks for big money—the market is in no state to provide that at present—but several seem to be based on the assumption that the pension funds and other big investors have small sums that they are prepared to invest in industrial prior charges carrying a yield of around 6 per cent. In addition to the Guiana loan, which is a trustee stock and makes a different appeal, the principal prior charge issues have been:

A private placing has been made of £1 million 6 per cent debenture stock 1981-86 in Briton Ferry Steel Company. The stock has been placed without quotation by Helbert Wagg and Co. at £99. The operation proceeds from the sale of Briton Ferry Steel Company by the Iron and Steel Holding and Realisation Agency to Duport.

A further placing by Helbert Wagg and Company consists of £500,000 6 per cent debenture stock 1975-80 in United Premier Oil and Cake Company. The issue, to repay bank overdrafts, was placed at par less a commission of 1 per cent.

The £1 million guaranteed debenture stock of Whitbread Investment Company sticks to the 5½ per cent coupon. This company is taking over the Whitbread investments in other brewery companies. A massive cover is shown because the parent company, Whitbread, which holds all the share capital, guarantees the debenture stock as to principal and interest. The stock has been placed by Philip Hill Higginson and Co. at 99½.

Yet the largest issue of the week happens to be in ordinary shares. Birmid Industries is raising about £1.8 million by a one-for-three rights issue at 45s., a price sufficiently below the existing stock (67s. 6d. at the time of the announcement) to encourage the directors not to have it underwritten. In the present state of the market the equity section seems still capable of raising larger sums than can be obtained on most industrial prior charges, and the success of the Rolls-Royce offer to shareholders of 1,100,000 new ordinary shares at 77s. 6d., which attracted heavy applications for excess shares, may reinforce that view.

Credit Trend Disappoints

THE monetary trend since the increase in Bank rate makes a rather disappointing prelude to the Budget. The Chancellor is presumably looking to monetary policy to do a large part of the disinflationary work that would otherwise have to be attempted by fiscal means; yet he may feel that the contribution made by the 5½ per cent Bank rate has so far been smaller than he hoped. In the five weeks to March 21 net bank deposits declined by substantially less than in the corresponding (four-week) period last year, and bank advances rose by substantially more. Advances normally rise at this time of the year, and in addition there have been heavy new demands from the electricity and gas industries; but the month's expan-

sion of £39.5 million is much above the average for March in recent years. The principal explanation, no doubt, is that the growing stringency is causing people to borrow more closely up to their credit limits than formerly, so that, although many of these limits have been reduced, the banks' past commitments still leave scope for substantial

LONDON CLEARING BANKS

	March 21st 1956 £m.		Change on	
			Month £m.	Year £m.
Deposits.....	6085.9	100	-77.8	-315.7
"Net" Deposits*....	5828.3	...	-70.7	-310.6
Liquid Assets.....	2012.4	33.1	-98.8	-94.9
Cash.....	517.1	8.5	+10.7	+ 3.1
Call Money.....	426.8	7.0	- 5.8	- 11.1
Treasury Bills.....	945.6	15.5	-92.1	+ 96.4
Other Bills.....	122.9	2.0	-11.6	+ 6.5
Investments and Advances	3897.7	64.0	+25.8	-407.2
Investments.....	1993.1	32.7	-13.7	-287.6
Advances.....	1904.6	31.3	+39.5	-119.6

* After deducting items in course of collection.

expansion in the credit actually extended. If an effective squeeze is to be imposed upon the economy, the pressure of official policy upon the banks themselves needs to be stronger than was formerly supposed.

The increase in Bank rate has certainly stiffened this pressure, by causing a switching of funds from bank deposits into Treasury bills; and it has been stiffened, too, by the issue last month of the 5 per cent Exchequer stock. In consequence, the banks' liquid assets declined in March by nearly £100 million, despite the fact that the Treasury was in "overall" deficit during the most nearly comparable period. But even these two stiffening processes together have not had so strong an effect as that exerted at the same time last year by the switching process alone, when the margin between deposit allowances and Treasury bill rates first became obtrusively wide. Two of the big banks have, however, felt it necessary to strengthen liquidity by selling investments; Lloyds has done so for the second successive month, and thus has contrived to keep its liquidity ratio at 32.3 per cent. The National Provincial (which also sold investments) has suffered a sharp fall in its ratio, to 31.3 per cent. The Midland shows 31.8 per cent, the Westminster 33.1 per cent, and Barclays 34.6 per cent. Individual banks may feel that they have now only a narrow margin; but for the banking system as a whole this is the seasonal nadir in the supply of liquid assets. Unless the pull of high money rates keeps up the pressure, vigorous funding tactics will be needed if undue slack is to be avoided.

Mr Watkinson Sits Firm

NOTHING the Minister of Transport said in the House of Commons on Wednesday added any merits to his argument for refusing the full increase in charges that the Transport Commission had originally asked for. His position was admittedly not made any easier by the advice

of the Transport Tribunal, even though the advice was formal and the nature of it inevitable. Mr Watkinson was obliged by the 1947 Act to "consult with and consider the advice of the Tribunal, acting as a consultative committee"; and the Tribunal, equally compelled by its duty under that Act to do nothing to prevent the Commission covering its costs taking one year with another, was almost bound to support the Commission's original suggestions, since even these would still have left a gap of nearly £25 million in a full year on rail operations and £18 million on all the Commission's activities.

Instead, by agreeing with the Minister to raise rail freight rates by only half as much as it first suggested, by adding 5 per cent to dock and canal charges in place of 7½ per cent, and by paring certain proposed increases in rail passenger fares (leaving uncut a £3 million increase in road freight and passenger charges), the Commission will be running

	British Railways	Other Activities	Total
Total deficit by 1954	£ mn. -62	£ mn. +23½	£ mn. -38½
Net results, 1955	-38	+ 7½	-30½
Total deficit by 1955	-100	+ 31	- 69
Net results for full year after April, 1956 :-			
(a) if charges were not raised	-55½	+ ½	-55
(b) on Minister's proposals ..	-40½	+ 5½	-35
(c) on original proposals	-24½	+ 6½	-18

an annual deficit £16 million larger on the railways and £17 million larger altogether. Since some allowance had already been made for improved efficiency the Tribunal was downright sceptical of the Minister's principal argument that signs of more efficient working justified his decision; even if further economies did materialise they could only help to reduce the original overall gap of £18 million.

How Blunt is Bank Rate?

ONE fruitful outcome of the insufficiency of monetary policy as practised last year is that it has provoked in various circles—including, one must hope, official circles—some hard thinking about the principles and mechanics of credit control under present conditions. It has also provoked a number of suggestions, apparently after less hard thinking, for the creation of a new monetary instrument, whereby the authorities would control the total volume of bank credit by prescribing—formally or informally—the minimum ratio of liquid assets to be kept by the commercial banking system and by raising or lowering the minimum as they judged fit. Two important contributions to the re-thinking upon these difficult problems have appeared in the past week or so—one in the April issue of *The Banker* and the other in *Lloyds Bank Review*. These two articles together present the first full re-appraisal of the Bank rate mechanism, and thus provide a basis for critical scrutiny of the new suggestions.

Though their conclusions differ in detail, both writers question the worth of any system of compulsory and variable

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mathématiques, a calculé
MATHEMATICS, HAS CALCULATED
que si toutes les bouteilles
THAT IF ALL THE BOTTLES
de Dubonnet bues en
OF DUBONNET CONSUMED IN
un mois étaient
A MONTH WERE
placées bout à bout elles
PLACED END TO END THEY
relieraient Londres à Paris.
WOULD STRETCH FROM LONDON TO PARIS.
(Quel chemin de rêve!)

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Profits and Investment

IN the Economic Survey the Government statisticians calculated that in 1955 gross trading profits rose by 11 per cent, by £296 million to £2,953 million. An analysis of 484 company reports published in the first quarter of this year (set down in detail on pages 187 and 188) shows that the trading profits of these companies rose by about 12½ per cent, by £45 million to £402 million. The Government's statistics reflect on the average the calendar year; the notional accounting year of the 484 companies ended in November. That is one reason for the slight variation in trends shown by the two analyses. Another is that the iron and steel companies bulk large in *The Economist's* latest quarterly survey. The trading profits of this group, at £97 million, make up nearly a quarter of the total and show an increase of 31 per cent.

Ordinary dividends have risen with profits, but not outstripped them. Net ordinary dividends rose by about £8 million to £59½ million. A part, certainly over £1 million, of that increase comes simply from the change in the standard rate of income tax. Once the dividends are grossed up and related to issued ordinary capital they show an average gross return of 18½ per cent on nominal capital—slightly lower than the gross return of 18.7 per cent shown in the previous year's accounts of the same companies. Though net ordinary dividends have gone up by about £8 million, the 484 companies have ploughed back £17 million more than they did in the year before. In depreciation allowances

and reserves of all kinds these companies have retained about £158 million.

Over the whole of industry the Government statisticians estimate that, for the first time since 1951, the amount invested in fixed assets and stocks in 1955 was larger than, undistributed profits. In the particular bunch of companies in the latest quarter's analysis it seems that more was added to fixed and working capital than was ploughed back from profits. This is a plausible result as the iron and steel companies, which were investing more heavily than most industries in fixed capital, and the electrical manufacturing companies, which were adding more to their stocks and work in progress than many, have a big weight in the latest sample.

For all 484 companies the gross book value of fixed assets rose by £138 million to £1,198½ million. Only a tiny fraction of this increase can be due to revaluations of assets; some of it relates simply to replacement; but a good part of the increase must relate to an expansion of capacity. Stocks rose by £97 million to £851 million and debtors by £64½ million to £468½ million. Part of that rise is due to price inflation but much of it must come from additions to material inventories and to work in progress. There is, perhaps, no need to underline the element of risk in carrying such heavy stocks should demand slacken. But again the sample is weighted by the producers of heavy capital goods and such industries must perforce take a long view of expansion.

Despite the increase in fixed and

working capital £2½ million more was added to net liquid assets, bringing the total up to £317½ million, though there are definite signs of a switch out of cash into securities and treasury bills. The reinforcement of liquid assets looks odd until it is remembered that a number of these companies towards the end of their financial years raised money by issues of new capital, temporarily swelling their liquid balances. About half the capital formation was financed by profit retentions; the total held in depreciation, capital reserves, revenue reserves and future tax reserves rose by £154 million. Some companies relied on the credit given to them by their suppliers, and current liabilities and creditors increased by £53 million. Many of them had to appeal for funds in the stock market. Debenture and loan capital rose by £26 million, preference capital by £5 million and ordinary capital by £62 million—not all of the latter being new money.

Reflection on these statistics can lead only to a thumping cliché—dividend policies will be cautious. With credit being squeezed companies which are just able to balance their investment in fixed assets and stocks by profit retentions will be eager to hold back earnings in the business. Where companies have invested more than they have saved out of their own resources, and where there may be new capital to service, even stronger counsels urging prudence will prevail. There is little need for the Chancellor to preach the virtues of dividend restraint; the facts themselves point to conservative dividends. And where sales are falling caution may develop into fear about the chances of maintaining existing rates.

PROFITS, PROVISIONS AND DEPRECIATION

(£'000)

	Reports Published January to March, 1956		Reports Published April, 1955, to March, 1956	
	484 Companies		2,662 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profits.....	357,015	401,867	1,630,320	1,861,414
Income from investments.....	27,664	32,035	110,617	119,711
Other current income.....	908	554	3,890	4,856
Non-recurring credits.....	9,652	9,819	59,817	60,223
Total Income.....	395,239	444,275	1,804,644	2,046,204
Repairs and maintenance.....	1,616	2,015	9,737	10,211
Depreciation.....	49,081	56,368	275,780	319,247
Income tax (excl. profits tax).....	138,344	143,947	612,291	651,128
Profits tax.....	23,891	28,135	130,279	120,312
Directors' emoluments.....	10,695	11,108	52,637	55,171
Administrative charges, etc.....	4,701	4,540	20,155	19,549
Contingencies, provisions, etc.....	17,932	19,695	90,427	112,904
Pensions.....	4,008	4,023	22,661	26,723
Minority share in profits.....	4,721	5,381	20,060	24,301
Profits retained by subsidiaries.....	30,390	37,337	110,620	153,584
Debt interest.....	9,289	11,289	37,682	43,693
Preference dividends.....	5,467	6,013	33,203	34,986
Ordinary dividends.....	51,241	59,562	205,503	257,731
Revenue reserves, etc.....	44,256	40,855	175,981	171,061
Brought in (parent company).....	63,372	62,979	300,679	308,307
Carried forward (parent company)...	62,979	76,986	308,307	353,910

ANALYSIS OF BALANCE SHEETS

Published January-March, 1956 (£'000)

	484 Companies			484 Companies	
	Previous Year	Latest Year		Previous Year	Latest Year
Capital (Parent Companies):—			Fixed Assets:—		
Debtenture.....	261,700	287,868	Land, property and plant....	1,080,268	1,198,604
Preference.....	187,091	192,204	Less depreciation	327,642	372,425
Ordinary.....	498,540	560,818		732,626	826,179
	947,261	1,040,890			
Reserves and Surplus:—			Trade Investments.....	79,317	84,777
Capital reserves	164,489	207,893			
Rev. res. and carry forward	517,548	571,360			
	1,429,298	1,820,143	Intangible Assets.....	26,501	25,186
Total Capital, Reserves and Surplus.....	1,429,298	1,820,143			
Outside Interests in subsidiaries.....	45,055	51,058	Current Assets:—		
			Stocks.....	753,955	850,766
Current Liabilities and Provisions:—			Debtors.....	414,648	480,839
Bank overdrafts and loans....	118,080	122,774	Gilt-edged secs.....	24,927	29,381
Creditors, etc.....	469,697	523,137	Other marketable investments...	179,729	192,354
Future taxation.....	140,753	152,678	Cash.....	228,419	218,360
Other provs....	37,257	38,052			
	765,789	834,641		1,601,678	1,771,700
	2,440,122	2,707,842		2,440,122	2,707,842

liquidity ratios. But this attitude is not founded upon any reaffirmation of the strength of the Bank rate weapon or upon any denial of the importance of liquidity ratios. On the contrary, both articles demonstrate that it is only by influencing bank liquidity in its wider sense that the volume of credit ever can be controlled—a proposition that may startle those whose knowledge of banking mechanics rest upon the classical textbooks, and who suppose that the Bank of England can exert “quantitative” control over bank cash by open market operations. An increase in Bank rate or pressure exerted by open market sales cannot, *The Banker* shows, curtail the total volume of credit (except momentarily) unless the resultant rise in short-term rates impinges upon bank liquidity. This rise in rates can squeeze liquidity either by causing bank depositors to shift their funds into bills (or other short securities) or by causing a contraction in the total supply of bills. The big change that has occurred in the working of this classical mechanism is that now the squeeze is exerted mainly by the switching process, whereas formerly, when a large part of the banks’ liquid assets comprised commercial bills (or short loans secured by such bills), the supply of those assets was responsive to an increase in short-term rates. The Treasury bill, which has largely replaced the commercial bill, is not responsive in this way.

The Bank rate weapon, which operates upon bank liquidity indirectly, is therefore blunter than it used to be. Hence it is imperative that the authorities should also operate upon it directly. This they can do, and in some degree have been doing in recent years, by regulating the supply of Treasury bills through various devices of funding (or unfunding), such as departmental sales of stock, which have the effect of putting pressure upon the longer-term market while relieving the short-term market. Both Mr Wilfred King in *The Banker* and Mr W. Manning Dacey in *Lloyds Bank Review* regard devices of this kind as much superior to any system of compulsory liquidity ratios—which would not, indeed, be any real alternative to the funding process. And, as both writers show, if control of ratios were to be used to contract credit (as distinct from preventing expansion) it would work with extraordinary violence.

“Small” Savings Suffer

PERSONAL savings as a whole have been tentatively estimated by the official statisticians to have risen by £70 million in 1955, to £962 million. But this increase seems to have been attributable mainly or wholly to higher outlays on capital goods by unincorporated businesses. Personal monetary savings in fixed interest securities were under two disabilities—the stick of the bankers’ squeeze and the carrot of higher interest rates offered by competing investments. Broadly speaking, the savings organisations that did worst were those that made the least adjustment in their rates. The building societies suffered a heavy drain before raising their share interest rates in the summer but then enjoyed a brisk recovery.

In the national savings movement interest rates as a whole were not raised to competitive levels—with the result that in the year to end-March, new savings (excluding accrued interest) fell short of withdrawals by £35 million, whereas in 1954-55 there had been a net saving of

£60.4 million. The deterioration spread to all channels of “national savings,” but was particularly large in defence bonds and the trustee savings banks.

Holdings of defence bonds are more sensitive to competing interest rates than most forms of “small” savings, and the new issue at 4 per cent (in place of the 3½ per cent bonds) has been insufficiently attractive. The trustee savings banks, which cater for the more interest-conscious of their depositors by providing a special investment department, have lately been offering between 3 and 3½ per cent in those departments; little further adjustment has been made this year, though in recent weeks at least one large trustee bank has increased this rate to 4 per cent. On savings certificates and deposits in the post office savings bank, interest remains at the time honoured rate of 2½ per cent, tax free in the case of certificates only. The experience of the national savings movement in its latest year suggests that even the small investors for whom it caters are sensitive to interest rates in some considerable degree. The moral, surely, is to offer the public the right price for its money.

Argentina and EPU

THE operation that will disengage Argentina from the tentacles of its bilateral payments arrangements is now in full swing. At discussions now running in Paris, Argentina, represented by Dr Verrier, the Under-Secretary of Finance, faces the seven principal members of the European Payments Union. Argentine trade and payments with these countries have been conducted on strictly bilateral lines, tempered by the fact that transferable sterling and D-Marks facilities have been at Argentina’s disposal. These transfer arrangements have, however, been of little use because Argentina has run consistently adverse balances with nearly all its European trading partners. There is no opportunity for transferability or multilateral compensations when one party has only debits to offer, unless indeed one of the creditors were prepared to increase still further his claim on the universal debtor. The main problem to be solved in the Paris talks is how to clear the bilateral board of the accumulated clearing debts owing by Argentina to the countries of Western Europe. The amount involved is estimated at the equivalent of nearly £300 million and represents almost the maximum of the various credit “swings” provided under each bilateral agreement. The largest creditor is Germany, which appears to have repeated with Argentina, and under the same encouragement of Government sponsored export credit insurance, the costly excesses that took place in 1952-53 in German exports to Brazil. (It would be interesting to see some figures for the German export drive calculated after allowance for bad or frozen debts.)

If arrangements can first be made to fund the Argentine commercial, bilateral debts, the way would be open for the admission of Argentina to a fully multilateral system of payments with Western Europe. This would call for no special machinery. The suggestion that Argentina might be invited to join the EPU should be dismissed as wholly unnecessary. The required mechanism lies ready to hand in the fact that Argentina and all other countries concerned in this operation are members of the sterling transferable account system.



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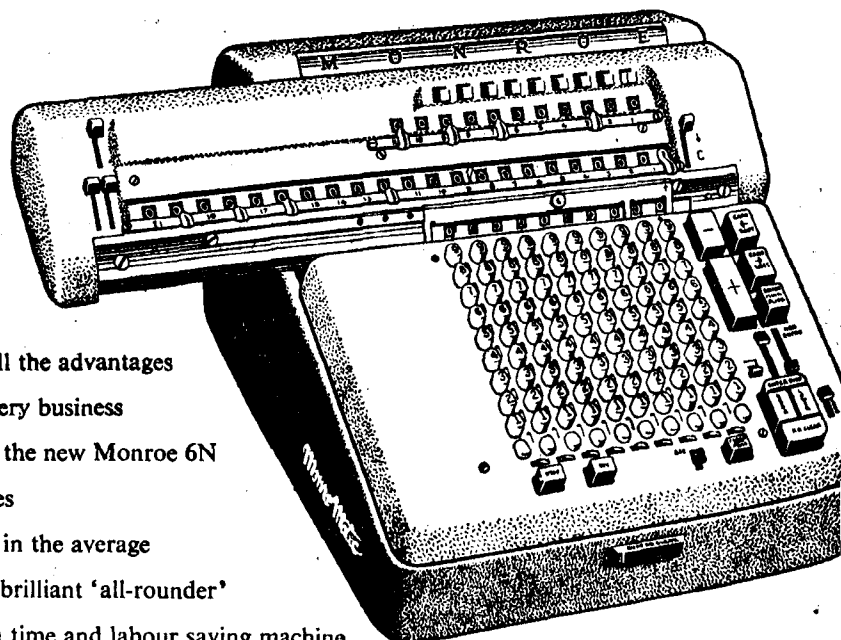
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How Deliveries Lengthened

ON several occasions recently Mr Roy Harrod has persuasively argued that a sudden overload of orders for fixed capital investment, far beyond any possibility of expansion in the capital goods industries, has been the main cause of inflation in the last two years. In an analysis of "The British Boom, 1954-55" in the current *Economic Journal*, he suggests that the "time interval between order and delivery" should become "a concept of no less central significance" in general analysis of inflation and the trade cycle than the "price level" or the "level of activity." The recent boom, he feels, was characterised by "a great lengthening of delivery dates and delivery delays." His feeling is based primarily upon a calculation that between July, 1954, and June, 1955, the new orders booked for machine tools were "88 per cent above the annual rate in the preceding eighteen months, but production rose by only 5.7 per cent between these periods." This rise was paralleled by an increase of 80 per cent in the total floor area of factories upon which work was started during the period. Mr Harrod infers that orders for other industrial plant and equipment may have risen to a similar extent.

This may well be true. How far it will have lengthened delivery dates is much more doubtful. What happened to delivery dates for machine tools during this upsurge of orders can best be seen from a table:

MACHINE TOOLS: ORDERS AND DELIVERIES

	Orders in Hand End Year	New Orders Booked in Year (Net)	Average Monthly Output	Order Book, in terms of Deliveries
	£'000	£'000	£'000	Months
1951	98,887	...	4,049	24.4
1952	96,996	60,113	5,167	18.1
1953	72,251	41,435	5,515	13.1
1954	81,011	74,252	5,466	14.8
1955	100,186	94,175	6,250	16.0

The rate of ordering, certainly, rose immensely in 1954-55, after some years in which the industry had been running down its orderbook; but in terms of monthly output—the only real basis for quoting delivery dates—the length of the orderbook rose by only about three months, from thirteen months to sixteen. These are averages for a wide range of equipment, and delivery periods for certain tools in particular demand probably rose proportionately much more. But it is clear that the 88 per cent rise in the volume of ordering bears no simple relation to the rise in total orders on hand; average delivery dates for tools are not, by this count, yet as high as at the end of 1952.

Information about orders in a fair range of other capital goods industries is collected by the Government, but not published. In successive Economic Surveys, however, various hints have been let fall; this year's says of 1955: "Demand for capital goods remained high and, for the first year since 1951, new orders exceeded deliveries." This means that the total orderbook for capital equipment at the end of 1954, notwithstanding the growth of equipment orders and the increase of orders on hand for machine tools, was actually lower in value than at the end of 1953. Since

output of capital goods rose about 3 per cent in 1954, delivery periods—the orderbook in terms of months' output—must over the year have fallen rather more. In 1955, certainly, the total orderbook for capital equipment rose in value, and probably in terms of monthly output, so that delivery dates did at length begin to increase. But it seems unlikely that they will have risen for industrial equipment in general even as much as for machine tools.

Air Freight on the Atlantic

IN place of Airwork, which stopped its all-freight services across the North Atlantic just before Christmas, an American airline, Seaboard and Western, started up a similar service this week. Seaboard and Western is best known as a charter operator, tramp freighting across the North Atlantic; for a considerable time it has been attempting to get a licence to put these services on a regular, scheduled footing. The licence was granted last year, and an arrangement has been made for the British Overseas Airways Corporation to act as sales agents for Seaboard in British territories. This fills the gap left in BOAC's network by Airwork's withdrawal, since freighter aircraft can take cargo that would not fit the hold of a passenger airliner and can also carry surplus freight that BOAC might otherwise have to turn away for lack of capacity.

Why did Airwork feel obliged to close down this freight service, and, incidentally, all its freight operations in Europe, when another carrier plainly considers North Atlantic air freighting to be a promising and profitable venture? Airwork's complaint that the service failed, not from lack of traffic, but because the conditions under which it was operated had become intolerable has never been properly answered. The company maintains that its operations stood or fell on whether a liberal or a narrow interpretation was put on the terms of its freight-carrying licence. Seaboard does operate under much more favourable conditions than Airwork ever could; the backbone of its freighting to Europe is the carriage of goods to US troops; it has longer experience of freight operations on a large scale and more extensive equipment to start its scheduled services than Airwork could command. But at the back of Airwork's failure seems to lie a fundamental confusion of ideas on how potential traffic should be divided between the nationalised corporations and the independent airlines.

Ceylon and the Markets

THE first effect of the swing to the left in the Ceylon elections was a sharp fall in the prices of Ceylon tea and rubber shares. They had previously had some attractions just because bidders were about and there seemed to be chances of capital gains. The potential bidders disappeared overnight and some British holders feeling themselves under suspended sentence of nationalisation tried to sell. The market had little appetite; the volume of actual selling was not large and by the middle of the week prices had recovered about half of their losses:

Three consequences of the threat of nationalisation may affect British investors. First, since exchange control exists, despite Ceylon's membership of the sterling area, the companies are unlikely to be able to get more out of Ceylon than is required to pay a reasonable dividend. Secondly, the managements will become much more reluctant to transfer money into Ceylon; future capital

	Price April 6th	Low Point April 9th	Price April 11th
Tea:			
Nuwara Eliya	27/6	20/-	25/-
Scottish Tea & Lands	38/6	30/6	34/-
Rubber:			
Grand Central	12/6	10/-	11/-

expenditure is likely to be financed with local funds (including loans from one estate company to another). Finally, the British investor will remember that the companies are mostly British registrations. If nationalisation comes, the Ceylon government can acquire the estates in Ceylon, but it cannot take the shells of the companies in London. The amount of liquid assets held outside Ceylon is a matter to which investors will pay increasing attention.

Black February

RETAILERS will remember February, 1956, as the month when fresh hire purchase restrictions hit a trade that was already groggy and householders beat a track to the ironmonger round the corner. When many retail departments were reporting lower returns than the year before, the cold weather brought a thriving trade to the small ironmongers, whose sales rocketed 26 per cent. Other traders

reported mixed results. For the department stores, it was the poorest month for a long time, with sales 4 per cent lower than the previous February. The co-operatives did rather better, showing a 3 per cent improvement; most striking of all was the ability of the big clothing multiples to maintain their expanding turnover through good and bad trade alike. Their sales of men's and women's clothing rose 12 and 16 per cent respectively, soaring far above the limping results of their competitors.

By a kind of poetic justice, however, the fall in the furniture sales of the multiples has been steeper, sharper and apparently more prolonged than that of other furniture traders. The multiples' trade in furniture is in the doldrums, 21 per cent lower than the year before. This can hardly be due to the latest hire purchase restrictions; these increased the deposit on furniture only by 5 per cent (to 20 per cent), which is too little to have any significant effect on sales. The fate of radio sales in February is not easy to trace. They were falling before Mr Macmillan increased the deposit on radio and television sets to 50 per cent. When the restrictions were announced there was a rush that day to place orders at the old, easier rates, and the small radio shops show a 5 per cent rise in sales. But as figures are liable to include sales of all kinds of heaters and electrical goods, they are not a reliable guide.

If the February returns were all they had to go by, retailers would cheerfully write off the bad trade to the weather. But the weather has improved since then and trade has not. The buoyant spending spree of last autumn seems to have spent itself, and there are many traders who believe that only since the beginning of this year have they begun to feel the effects of the autumn budget working through. The hire purchase restrictions may be directly affecting the sales of certain types of goods, but they do not explain the prolonged slackness of sales of soft goods nor of such durable goods as furniture, for which credit is not severely restricted.

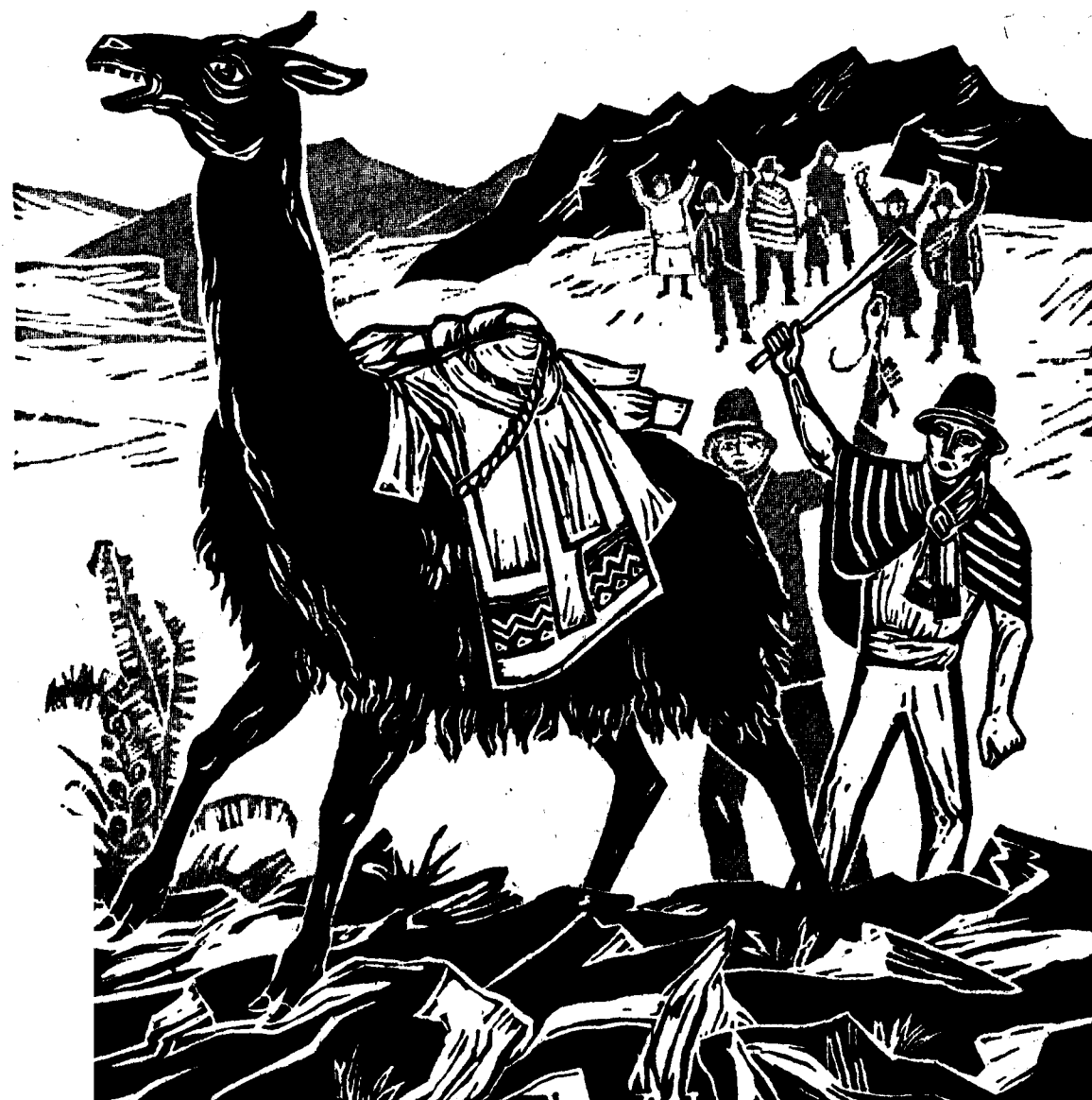
Second-Hand Car Prices

The table shows the average price that would have been obtained for a year-old car during the past two years, expressed as a percentage of its original cost, including purchase tax. The prices are those ruling at the end of each quarter, except for the last column which relates to this month.

	1954				1955				1956		List Price
	M.	J.	S.	D.	M.	J.	S.	D.	M.	A.	
Austin A.30	96	99	99	92	99	99	96	91	87	95	£ 574
" A.40	93	98	94	90	97	96	90	84	83	90	804
Bentley "S"	83	87	84	84	87	85	84	83	92	92	4,944†
Ford Popular	95	100	100	97	99	99	95	91	86	91	414
" Anglia	...	...	114*	109*	107	106	100	97	94	97	541
" Prefect	...	...	116*	113*	110	108	109	98	95	97	594
" Consul	94	98	96	92	98	96	93	86	83	97	781†
" Zephyr	88	91	89	86	89	87	83	76	75	79	871†
Hillman Minx	93	99	95	92	95	99	92	85	84	88	706
Jaguar M.VII	81	80	76	71	77	83	79	74	74	74	1,711
Morris Minor	95	104	101	100	100	99	96	95	95	97	639
" Oxford	82	86	86	82	97	96	93	86	85	89	849
Rover 75	78	89	87	84	82	83	78	74	83	82	1,374
Standard Vanguard	80	82	80	78	85	84	79	74	77	78	900†
" 8	92	95	90	89	93	92	89	85	86	91	555
" 10	...	...	...	103*	96	93	94	88	87	91	646
Vauxhall Wyvern ..	93	96	95	93	96	96	91	84	88	90	766
" Velox	90	94	91	90	93	93	86	80	86	87	841

* Under 12 months old

† New model



The luck of the llama

ANCIENT PRACTICE of employing a scapegoat to carry away evil was revived by the Aymara Indians in 1857. But they didn't use a goat. To protect their homes from plague they banished a black llama to the bleak Peruvian hills—a highly imaginative though scarcely efficient safeguard. Today we require protection to be functional as well as imaginative. Look at modern packaging, in which Thames Board Mills have long been pacemakers in design and production. Every week millions of "Fiberite" cases, and cartons made from "Thames

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Shortening the Odds on Italian Oil

THE revised petroleum Bill which has finally emerged from the industry commission of the Italian Chamber of Deputies is a decided improvement on earlier drafts. The explosive provision which would have secured for the Italian government a full 60 per cent of the oil companies' profits has gone. It has been replaced by a complicated royalty scale starting at 2.5 per cent on the first four tons a day of output from any individual well up to a maximum of 22 per cent for wells producing more than 256 tons a day. This payment would be supplemented by an income tax of 37 per cent, but the effective aggregate share of the government under the new formula could be computed only when the rate of output per well and its costs of production were both known. There will also be the usual difficulty of agreeing upon a bookkeeping price for crude oil produced in Italy.

In revising the Bill the government has removed the impression that the real intention of its petroleum legislation was to keep foreign oil companies out of Italy altogether. But what is still not clear is whether the draft Bill, even in its revised form, is favourable enough to persuade them to come in. (Gulf Oil, which has a half interest in two wells already completed, is a special case.) The horrifying prospect of a 60:40 formula in a 50:50 world has gone, but even the revised scale of royalty, together with the tax, could easily secure to the government a share greater than half of the profits on the more successful wells. In spite of the Italian Minister of Industry's claims to the contrary, the oil companies still consider the Italian Bill less favourable to them than the existing Sicilian law. And although, in the revised draft, the privileged position of ENI, the state-owned hydrocarbon concern, is somewhat weakened, the terms—apart from the royalty itself—under which private companies will be permitted to develop the oilfields they may find are far from generous.

But much as the companies may hope for further improvements—a straight declaration that the government's share will not exceed 50 per cent, for example—the key question is whether the Bill, even in its present form, can survive on the floor of the House. It is down on the agenda of the Chamber of Deputies for next week, if the government can find time for it. But left wing parties feel that the government has already gone too far in placating private enterprise, and there is no assurance that it can carry its present proposals unmodified. The tortured history of the attempt to give Italy a workable oil law makes it doubtful, indeed, whether any decision at all will be taken by the Chamber of Deputies during its present session.

and Law Life office to join the band of offices to distribute some accumulated fat. With-profits policyholders, entitled to nine-tenths of the divisible surplus, this year receive in addition to an increased normal bonus a special reversionary bonus of up to 7½ per cent of the sum assured plus existing bonuses. The dividend is also sharply increased and the uncalled capital liability is to be reduced by 2s. 6d. per £1 share to 11s. 6d. per share. Since the announcement the shares have risen from 72s. 6d. to 110s. Part of the cost of these increased distributions has been met by transferring £1 million from the published investment reserve to the life and annuity fund.

Dividends of the composite insurance companies so far make a mixed showing, not quite up to the results of 1954

Company	Reversionary Bonus		Dividend		Price April 10
	Pre-vious	Cur-rent	1954	1955	
Alliance £1.....	s. d. 36 C	s. 40 C	s. d. 3 3	s. d. 3 6	76/3
Caledonian 5/-.....	40 S(b)	(a)	1 4½	1 4½	31/-
Equity & Law (6/- pd.)	44 (b)	50 (b)	1 0*	2 6*	5½
Life Ass. of Scotland (£10 pd.).....	36 S	(a)	45	45	47½
London & Man'ter 5/-	34 S	38 S	2 3(c)	3 3	5½
N. British & Merc. 25/-	40 C	(a)	11	11	12
Northern £1 (pd.).....	37 6 S	40 S	22	24	33
Pearl £1.....	38 S(a)	40 S(a)	13*	13 6*	22xd
Royal Insur. 5/- (pd.)	38 S	42 S	3 0½	3 4	83/9
Yorkshire £1.....	45 S	(a)	19 6	19 6	25

* Tax free. (a) No change announced. (b) Minimum rate. (c) For 9 months: equivalent annual rate 3s. per share tax free. (d) On UK business. S=simple. C=compound.

when their distributions were increased across the board. Among the more disappointing results is that of North British and Mercantile, which announces no change in its 40s. compound bonus or in its 11s. dividend. So far it is only possible to guess at the 1955 underwriting results of the composite offices, but taken as a whole last year's results probably did not differ much from those of 1954, which were themselves near the average of recent years. The 1955 earnings of United States insurers suggests that the important North American business of the British companies may have turned out rather less favourably than in 1954, even though hurricane losses then bit deeply into profits. But interest earnings, out of which dividends are traditionally paid, must have surpassed the record figures of 1954.

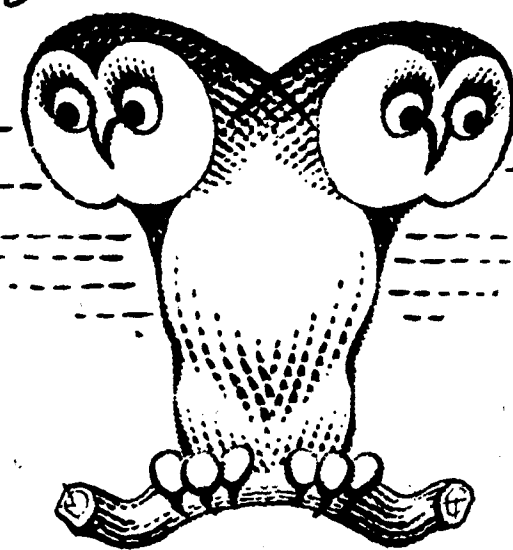
Dearer Tea

THE prices being paid for high-quality teas must make the common tea producer green with envy: the premium for quality is becoming larger than ever. When the London auctions were resumed this week the best grades of North Indian tea rose sharply. Best Assam broken pekoes, for example, fetched up to 6s. 10d. a lb and fannings up to 8s. a lb, roughly 1s. higher than at the previous auctions on March 26th. That rise owed much to a seasonal improvement in the quality of teas on offer, but there is

Good Insurance Bonuses

FURTHER dividend and policyholders' bonus announcements from the insurance companies are given in the accompanying table. From the life assurance offices the news is almost wholly good and bonus announcements from the life companies that have not yet announced their final dividend, and from the mutual offices, have nearly all been increased. Outstanding has been the decision of the Equity

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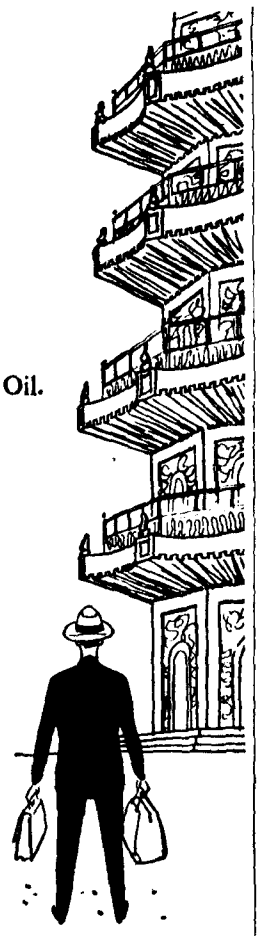
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British steel leads the world

No doubt that blenders are prepared to compete keenly for the better qualities for the good reason that the public prefers them. Prices of common tea, in contrast, were only slightly dearer than before Easter; the official quotation was 1½d. higher at 3s. 5½d. a lb, a price that is barely sufficient to cover the costs of many producers. The margin between prices of good and poor teas may well remain wide for some time. There are fairly large quantities of plain tea on the way to London from India and other countries, but the better grades are none too plentiful. So far production in Ceylon is running a little below that of last year. The shortfall may later be made good there or in India, but for the moment buyers are hardly encouraged to hold back.

Electronics Unsqueezed

THE sharp recession in the radio industry that followed the Chancellor's new hire purchase restrictions has not had as sharp an impact on the manufacturers of receiver components as might have been expected. Less than half the £60 million worth of components manufactured last year went into domestic receivers. The balance was incorporated in industrial control equipment of all kinds, in telecommunications—and for defence, which is now one of the industry's biggest customers. Components by the thousand go into aircraft and guided missiles, a thousand valves to a single Valiant bomber, and production of several big electronic computers has opened up a new market. These machines are nothing more than huge cabinets with solid trails of valves, wire and components, and they have a voracious appetite for replacements. The component manufacturers, who held their annual trade show in London this week, are much more interested in the rapidly expanding demand from industry and the services than they are in what happens to components for domestic receivers.

The output of television receivers is now generally expected to be cut back by about 40 per cent this year, which might mean a temporary reduction in the volume of component production of about 18 per cent. But production lines working exclusively on parts for domestic receivers have been hit harder by the domestic recession. Furniture factories making television cabinets have stood men off in considerable numbers; in one of the large factories, output has been halved. The production of cathode tubes has also been affected and that in its turn has led to short-time working in the glass factories making the tubes. Valve-makers are also on short-time. In some other factories the cancellation of orders from receiver manufacturers brings relief to hard-pressed plant. Some sections of the component industry had been working under great pressure; the recession has given them an opportunity to return to a more normal working week. But not all components in production for receivers can be switched without modification to other, more exacting applications (although the export market will take a fair volume), and some interruption to production is inevitable while plant is switched to other designs. There is an undercurrent of concern in the industry about what this may do to the small manufacturers. A man can start in the electronics business with the minimum of capital: many do. These are the businesses, operating almost entirely on credit, that may find the period of readjustment difficult to weather.

Freight Markets firm

THE slight weakness which appeared in the tramp shipping market in February has proved to be only temporary. Both voyage and time charter rates have been rising steadily since the middle of that month, and the unexpected entry of Soviet Russia with substantial imports of grain from Canada (from the St. Lawrence to Black Sea and Baltic ports, and from Vancouver to Vladivostok) created a new demand for tonnage. Chartering for grain from all exporting areas outside Russia has been active, probably as a result of the severe winter on the Continent.

Rates for single voyages with coal across the Atlantic have returned to peak levels, but a considerable volume of tonnage is already engaged in this trade on time or consecutive voyage charter for the whole of this year and longer. A pointer to the underlying strength of the market and the firmness of prospects is the volume of tonnage being taken up for periods of up to 18 months; even ships which are still under construction have been taken up on long-term charters extending well into the 1960s.

In recent weeks three ships have been fixed on time charter for every two returning from hire, and rates have been improving. Nevertheless, a large number of time charters are due to expire during the next three months, and these may take some time to absorb at current freight levels.

Advance in Coarse Grains

PRICES of maize and barley have risen sharply in recent weeks. Supplies in exporting countries have not changed, but the needs of consumers in Britain and Europe have. At the beginning of the year compounders and other users of coarse grains had no compelling reason to buy ahead. Supplies of American maize were larger than ever before; supplies of Canadian barley were adequate and there was plenty of Canadian feed wheat available at attractive prices. Quite suddenly the picture changed. The winter grain crops in Europe were severely damaged by the cold, and though the loss will be partly made good by spring sowings, the new crops are at present no more than seed in the ground. A hard winter and late spring increased the consumption of feeding stuffs and in Britain the remaining stock of home-grown barley appears to be smaller than was expected.

When compounders turned to the world market they found that Russia and its satellites had mopped up supplies of Canadian feed wheat; these countries were also

"Motor Business"

The March issue of this quarterly research bulletin for the motor and allied industries includes:

Stock and Sales Expectations: A New Indicator for the Domestic Market.

Return to Seasonal Trends in Production.

Crystal Gazing in the Motor Industry.

The Swedish Market for Vehicles and Tractors.

The Bulletin is fully illustrated by charts, amongst which are:

Price indexes of used cars and vans.

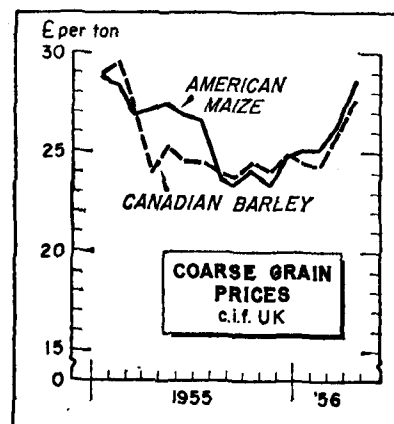
World exports of vehicles.

Vehicle exports by countries of origin.

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buyers of coarse grains from North America, and France had been forced to turn importer. The increased demand for feeding stuffs had to be satisfied mainly by maize and barley, and freight rates were bounding up. Since the



beginning of March Canadian 2 feed barley has risen by about £2 15s. to £27 5s. a ton c.i.f. UK and American maize has risen by over £3 to £28 10s. a ton. Plate maize has also risen sharply, and large premiums have been paid by specialised consumers in certain European countries such as Italy. The advance in maize also owes much to the strength of prices in Chicago, where the feeling is growing that the Administration will be forced to accept higher support prices for the new crop.

For the next month or two, at least, coarse grain prices may not be in much danger. Transportation difficulties are limiting sales of Canadian barley, and Argentina will hardly be a pressing seller of maize for some time. But Argentina may hold the key to prices. If the exportable supply there proves to be as large as two million tons, world maize prices could fall, and barley prices weaken too.

SHORTER NOTES

An increase of 3 per cent a year in the world demand for energy—an estimate which other authorities might consider high—was taken as the lower limit in the projections

made by Mr James W. Platt, a managing director of the Royal Dutch/Shell Group, in a paper read to the Institute of Petroleum. The lower limit for world oil production in 1975 is put at 1,600 million tons, an increase of over 130 per cent over 1955. With an instinct to "aim at a point well up the range," which one feels is an accurate reflection of today's thinking in the oil industry generally, Mr Platt puts the world production of oil in 1975 "well above" this figure. Looking further ahead, he saw nuclear power still leaving plenty of room for petroleum during the 21st century.

Diamond sales by the Central Selling Organisation amounted to £16.8 million in the first quarter of 1956, De Beers Consolidated Mines announces. This is a fall of £1.4 million compared with the last quarter of 1955, and is due wholly to the fall in sales of industrial stones to £5.1 million. Sales of gem stones were unchanged at £11.7 million. Smaller sales of industrials, it is understood, reflected not a fall in demand but in supplies.

The management committee of the London Wool Terminal Market Association has recommended that a contract for crossbred wool tops should be introduced, in addition to the existing merino contract. It is proposed that trading in crossbred futures would start on November 1st, with January, 1957, as the first delivery month.

The Bank of Canada has raised its rediscount rate from 2½ to 3 per cent. This increase is the fourth since August, 1955 (when the rate stood at 1½ per cent) and carries the rate to a new peak.

Company Notes

CUNARD STEAM-SHIP. For a few weeks last summer the "Queens" lay idle at their moorings, their traffic brought to a standstill by a strike. Despite this, the operating surplus of Cunard Steam-Ship Company in the year to December 31st rose from £6,747,584 to £7,405,872. This is the first reversal in the downward trend of profits since 1952. As Cunard does a big cargo business, the advance in profits may reflect higher freight rates and heavier traffic.

Although the operating surplus has risen, the net profit after tax has fallen from £2,157,266 to £1,827,969. The reason for this seems to lie in the increase in the taxation provision, which is up from £2,069,938 to £2,504,070; this provision is shown before taking credit for relief on investment allowances. Cunard has several new ships being built and this relief on investment allowance may be substantial.

Conservatism in dividends still rules in the Cunard boardroom. Effectively, after

allowing for the free scrip issue in 1954, the year's ordinary dividend is left unchanged at 10 per cent on a capital of £13 million. On this dividend the £1 ordinary stock units at the current price of 26s. yield 7½ per cent.

HUDSON'S BAY. "Bays" yield just over 2 per cent at the current price of 186s. 6d. Even this yield takes in the 2½ per cent tax free distribution from land sales—a source of revenue that cannot last for ever—as well as the 15 per cent dividend, less tax, from trading. The price is so high because speculators, both in Wall Street and Throgmorton Street, are attracted by the honey that may one day come from the company's investment in the developing oilfields of Canada. There is enough in the full report of The Governor and Company of Adventurers of England Trading into Hudson's Bay to whet the speculators' appetite. Income

from royalties, primarily from oil and natural gas, rose in the year to January 31st from £370,811 to £435,110. The number of the net producing wells of Hudson's Bay Oil and Gas Company (in which Hudson's Bay has a minority interest) nearly doubled to 358 wells; daily net production rose by about 122 per cent; and "substantial additions" were made to oil and natural gas reserves. All this costs money and in 1955-56 over \$27 million was spent on development, compared with about \$16,500,000 in the previous year. The bees will not taste the honey for years yet.

	Years to Jan. 31, 1955	1956
Sales and Profits:		
Retail Stores:		
Sales	35,351,000	38,618,000
Profit	2,044,000	2,179,000
Fur Trade:		
Sales	7,716,000	8,634,000
Profit	585,000	765,000
Wholesale Department:		
Sales	14,091,000	14,765,000
Profit	279,000	156,000

In the meantime the dividend is paid out of the profits earned by the company, in its extensive retail, wholesale and fur trading. Sales in all these departments rose in the latest year and profits in the

retail and fur departments went up with sales. Profits on wholesale trading were lower because of competitive price cutting. Total sales by all the departments rose from £57 million to £62 million and the gross trading profit advanced from £3,362,963 to £3,640,542.

REYROLLE and C. A. PARSONS.

The so-called nuclear power shares form an active group in the London Stock Exchange. Yields on current dividends are low. The yield on Reyrolle's £1 ordinary shares is only 3½ per cent at the current price of 100s. xd. on the dividend of 16½ per cent; that on C. A. Parsons' £1 units is even smaller—2½ per cent at 80s. on the 10 per cent dividend. The attraction is not current income but growth potentialities. The big earnings cover on the dividends is one aspect of the prospects of growth; it simply reflects the ploughing back of profits to finance present and future capital developments.

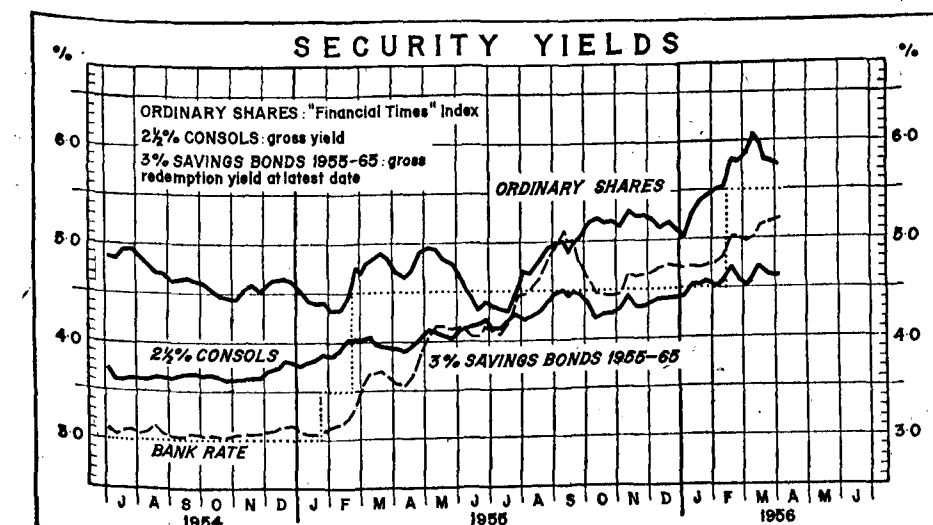
Sir Claude Gibb, who is the chairman both of Reyrolle and C. A. Parsons (in which Reyrolle has a shareholding), has already warned shareholders in C. A. Parsons that a standstill in dividend payments might be essential for a few years in order to provide the money for expansion. Hence the maintenance of the dividend at 10 per cent shattered no hopes and investors could find some encouragement in the rise in net profits from £1,484,298 to £1,962,613. Similarly, it was not the rise in Reyrolle's gross trading profits from £3,195,725 to £3,681,406 (including £232,372 arising from the revision of the basis of valuation of work in progress), nor the news of higher output and bigger orders, and not even the increase in the ordinary dividend from 15 to 16½ per cent which were of essential importance to investors in the atomic power stocks. For them the most significant pointer was Sir Claude Gibb's comments on the future. He said: "A year ago it seemed that Reyrolle would participate by supplying its standard products in the form of main and auxiliary switchgear, but its field of activities has been extended and now includes the equipment which will

be required for the control of reactors. The building of nuclear power stations has become an important feature of the generating plant programme for the United Kingdom but it may be some years before the construction of these stations is upon a scale that will enable the company to secure full benefit from current expenditure."

THOMAS TILLING.

As an investment and holding company Thomas Tilling has steadily added to its interests in a miscellaneous group of industrial and commercial companies. Last year it acquired a controlling interest in Mutual Finance, the hire purchase finance company, and in Walton Hosiery, Lime-Sand Mortar, Henry Lister and Sons and Safca Aerosol Manufacturing. Thomas Tilling's profit figures for the year to December 31st take account of these acquisitions. The inclusion of the new subsidiaries goes some way to explain why Thomas Tilling's gross profits have risen from £1,636,901 to £2,316,817 and its net profits from £738,399 to £1,086,796. Whatever their present troubles the hire purchase companies were doing well last year and among the new subsidiaries Mutual Finance probably made a useful though relatively small contribution to profits. But new subsidiaries cannot be the whole story and, perhaps, one of the most important contributions to earnings may have come from the established interest in James A. Jobling, the glass manufacturers specialising in the making of "Pyrex" glassware.

Despite the growth in profits the directors of Thomas Tilling were content to leave the ordinary dividend unchanged at 10 per cent. Their caution may have been influenced by the Chancellor's request for restraint. And there is the possibility that some of Thomas Tilling's subsidiaries may feel the squeeze this year. Thomas Tilling is nursing a number of concerns through their formative years and it is the ultimate prospect of full maturity that makes investors willing to accept a yield of 4½ per cent on the £1 stock units at the current price of 41s. 10½d.



LONDON STOCK EXCHANGE

Next Account begins: April 18th
Next Contango Day: April 18th
Next Settlement Day: April 24th

ALTHOUGH gilt-edged securities eased at the close of last week, an improvement was seen on Tuesday; by Thursday all of the lost ground had been recovered. War Loan gained ¼ to 74½ over the week and corresponding rises occurred in long-dated issues. Among the short-dated stocks, 2 per cent Exchequer showed a gain of ¼ to 90½.

Bank shares were generally higher and insurance stocks continued to strengthen. Legal and General rose another 1½ to 24, but Royal Assurance lost 2s. to 82s. 6d. on the dividend announcement. The improvement in industrial shares was halted by the disturbance in the Middle East, but although activity was curtailed by the imminence of the budget the gains made last week were generally held. Reyrolle and C. A. Parsons rose 4s. 3d. and 5s. respectively on Monday on strong buying, but eased slightly later in the week to 98s. xd and 77s. 6d., a net gain on the week of 6s. and 4s. 9d. respectively. Leading electrical stocks were also higher. Among steel shares, Stewarts and Lloyds were firm at 69s. 3d., Colvilles at 39s. and Dorman Long at 31s. 6d. gained 10½d. and 6d. respectively. Motors improved with the current increase in sales; BMC rose to 7s. 9d. and Standard to 6s. 8½d. Ford gained 4½d. to 33s. 1½d. xd. There was also an improvement in textile shares; Bradford Dyers rose to 22s. 9d. xd and Courtaulds to 39s. 3d. Horrockses Crewdson jumped 6s. to 31s. on rumours of an impending take over, but later reacted to 29s. 3d. Hudson's Bay fluctuated sharply before closing at 187s. 6d. higher on the week. Oils recovered on Thursday after receding initially on the news from the Middle East.

Kaffirs improved before the quarterly statements, but there was little response following their publication. The recovery on Wall Street led to a steadier tone in coppers, Bancroft rising to 46s. The political situation led to losses in Ceylon tea and rubber shares, but a partial recovery occurred later.

FINANCIAL TIMES INDICES

1956	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
April 5...	183.2	96.16	4.64	5.71
" 6...	182.9	95.96	4.66	5.72
" 9...	183.7	95.96	4.66	5.69
" 10...	184.0	96.05	4.65	5.68
" 11...	183.9	96.18	4.63	5.69
1956, High.	203.5 (Jan. 3)	99.37 (Jan. 3)	Total bargains 1956	
" Low...	169.7 (Mar. 8)	94.75 (Feb. 17)	April 5	8,463
1955, High.	223.9 (July 21)	115.97 (Jan. 7)	" 6	8,184
" Low...	175.7 (Mar. 15)	98.23 (Sept. 2)	" 9	10,358
			" 10	9,153
			" 11	8,815

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, Jan. 1 to April 11, 1956		BRITISH FUNDS AND GUARANTEED STOCKS		Price, April 4, 1956	Price, April 11, 1956	Net Yield, Apr. 11, 1956	Gross Yield, Apr. 11, 1956	Prices, Jan. 1 to April 11, 1956		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, April 4, 1956	Price, April 11, 1956	Yield, Apr. 11, 1956
High	Low					%	%	High	Low		High	Low			%
98 1/2	97	Funding 2 1/2% '52-57		97 1/2	97 1/2	3 6 5	4 16 11	39/9	29/6	4 a	STEEL & ENGINEERING		31/-	32/-	6 6
99 1/2	98 1/2	War Bonds 2 1/2% '54-56		99 1/2	99 1/2	3 7 0	4 18 5	13/-	9/4	10 1/2 b	B.S.A. £1		10/9	11/-	6 7
95 1/2	93 1/2	War Loan 3% '55-59		94 1/2	94 1/2	3 10 10	4 17 3	40/1 1/2	36/3	3 a	Cammell Laird 5/-		38/-	39/-	5 12 1/2
100 1/2	99 1/2	Exchequer 5% 1957		100 1/2	100 1/2	2 12 8	4 18 10	33/10 1/2	28/-	8 c	Colvilles £1		31/-	31/6	5 1
99 1/2	97 1/2	Conversion 4% '57-58		97 1/2	97 1/2	3 1 3	5 1 0	53/7 1/2	40/-	20 c	Dorman Long £1		44/6	46/-	4 6 1/2
96 1/2	95 1/2	Serial Funding 2 1/2% 1957		96 1/2	96 1/2	3 8 11	4 7 4	75/-	61/-	5 a	Guest Keen N. fold £1		67/6	69/3	5 1 1/2
93 1/2	91	Conv. 2% 1958-59		92 1/2	92 1/2	3 18 4	4 17 10 1/2	46/10 1/2	39/-	4 a	Stewarts & Lloyds £1		42/-	43/6	5 10 1/2
90 1/2	88 1/2	Exchequer 2% 1960		89 1/2	89 1/2	3 16 5	4 15 3	49/9	40/6	4 a	Summers (John) £1		44/-	44/3	5 13 1/2
94 1/2	92 1/2	Exchequer 3% 1960		93 1/2	93 1/2	3 10 7	4 17 10	42/1 1/2	32/4 1/2	6 b	United Steel £1		39/3	38/9	4 7
88 1/2	83 1/2	Savings Bonds 3% '55-65		84 1/2	84 1/2	3 15 6	5 4 4 1/2	24/6	19/10 1/2	4 a	Vickers £1		22/-	22/9	8 15 1/2
91 1/2	88 1/2	Funding 2 1/2% '56-61		89 1/2	89 1/2	3 15 1	4 17 9 1/2	23/7 1/2	19/10 1/2	7 b	Bradford Dycers £1		20/9	21/3	9 8
92 1/2	87 1/2	Funding 3% '59-69		87 1/2	87 1/2	3 15 0	5 4 2 1/2	25/10 1/2	21/9	6 1/2 b	Brit. Celanese £1		22/3	22/9	7 10 1/2
81 1/2	78 1/2	Funding 4% '60-90		78 1/2	78 1/2	5 13 2	7 9 3	44/-	35/9	6 b	Coats (J. & P.) £1		28/3	29/9	5 0
91 1/2	88 1/2	Savings Bonds 3% '60-70		88 1/2	88 1/2	3 14 0	5 3 10 1/2	30/-	25/3	5 a	Courtaulds £1		25/9	26/6	9 8
86 1/2	83 1/2	Exchequer 3% '62-63		83 1/2	83 1/2	3 12 10 1/2	5 1 9 1/2	31/7 1/2	26/9	10 b	Lancs. Cotton £1		28/6	28/3	8 17 1/2
81 1/2	76 1/2	Exchequer 2 1/2% '63-64		76 1/2	76 1/2	3 17 2	5 1 5 1/2	21/9 1/2	17/7 1/2	6 1/2 b	Patons & Baldwins £1		19/-	19/9	5 1
79 1/2	73 1/2	Savings Bonds 3% '65-75		73 1/2	73 1/2	3 9 2	4 19 9 1/2	17/7 1/2	14/6	17 1/2 b	Bristol Aeroplane 10/-		7/1 1/2	7/6	8 6
96 1/2	91 1/2	Victory 4% '20-76		92 1/2	92 1/2	3 2 4	4 18 8 1/2	9/-	6/10 1/2	4 a	British Motor 5/-		20/-	20/6	8 6
83 1/2	78 1/2	Funding 3 1/2% '66-68		80 1/2	80 1/2	3 14 6	5 4 1 1/2	25/9	19/7 1/2	7 1/2 c	De Havilland £1		32/6	33/1 1/2	4 10
88 1/2	83 1/2	Conv. 3 1/2% 1969		85	85	3 9 10	5 3 0	44/3	32/1/2	2 1/2 a	Ford Motor £1		35/6	36/9	4 15
83 1/2	78 1/2	Treas. 3 1/2% '77-80		80 1/2	80 1/2	3 4 7	4 19 9 1/2	40/3	32/1/2	5 a	Hawker Siddeley £1		42/6	43/9	5 14
84 1/2	78 1/2	Treas. 3 1/2% '79-81		79 1/2	79 1/2	3 4 1	4 18 11 1/2	44/4	38/3	10 c	Leyland Motors £1		92/6	96/3	3 12
72 1/2	67 1/2	Redemption 3% '86-96		69 1/2	69 1/2	3 1 2	4 14 3 1/2	115/10 1/2	85/6	5 a	Rolls-Royce £1		6/6	6/9	8 17
81 1/2	76 1/2	Funding 3 1/2% 1999-2004		78 1/2	78 1/2	2 16 9	4 12 11 1/2	8/0 1/2	6/1 1/2	12 c	Standard Motor 5/-		16/3	16/9	4 2
77 1/2	70 1/2	Consols 4% att. Feb '57		80 1/2	80 1/2	2 17 2	4 19 11 1/2	18/10 1/2	14/6	17 1/2 b	Boots Pure Drug 5/-		32/-	32/9	8 7
66 1/2	61 1/2	War L'n 3 1/2% att. Dec '52		74 1/2	74 1/2	2 14 6	4 15 5 1/2	35/10 1/2	29/-	20 b	Debenhams 10/-		40/-	41/-	7 6
56 1/2	52 1/2	Consols 3% att. April '61		72 1/2	72 1/2	2 15 7	4 16 9 1/2	43/3	32/9	45 b	Gt. Universal 5/-		86/3	87/6	5 2
56 1/2	51 1/2	Treas. 3% att. April '66		63 1/2	63 1/2	2 14 7	4 15 0 1/2	94/3	79/-	17 1/2 b	Lyons (J.) 'A' £1		62/9	64/-	3 14
98 1/2	93 1/2	Consols 2 1/2% att. April '75		53 1/2	53 1/2	2 13 3	4 12 8 1/2	70/1 1/2	57/10 1/2	30 a	Marks & Spen. 'A' 5/-		58/9	59/-	4 16
80 1/2	75 1/2	Br. Elec. 4 1/2% '67-69		94 1/2	94 1/2	3 3 0	5 3 4 1/2	64/10 1/2	56/-	20 a	Woolworth 5/-		115/-	112/6	2 13
79 1/2	73 1/2	Br. Elec. 3 1/2% '68-73		76 1/2	76 1/2	3 11 4	5 1 4 1/2	116/4 1/2	99/-	14 b	British Petroleum £1		72/6	71/3	2 18
95 1/2	88 1/2	Br. Elec. 4 1/2% '74-77		74 1/2	74 1/2	3 8 4	4 19 0 1/2	76/6	63/-	10 1/2 c	Burmah £1		147/6	146/3	3 7
83 1/2	79 1/2	Br. Elec. 3 1/2% '76-79		80 1/2	80 1/2	3 4 11	4 19 0 1/2	170 1/2	158 1/2	10 b	Royal Dutch 100 fl.		36/-	36/6	4 5
90 1/2	85 1/2	Br. Gas 4 1/2% '69-72		87 1/2	87 1/2	3 6 9	5 4 4 1/2	151/-	129/-	10 1/2 b	Shell Reg. £1		26/-	26/-	7 13
87 1/2	82 1/2	Br. Gas 3 1/2% '69-71		83 1/2	83 1/2	3 9 0	5 2 6 1/2	37/6	31/10 1/2	15 a	Trinidad T. holds 5/-		50/6	51/6	5 8
73 1/2	68 1/2	Br. Trans. 3% '68-73		69 1/2	69 1/2	3 0 11	4 13 7 1/2	27/-	23/3	2 1/2 a	Cunard £1		30/-	30/-	5 6
80 1/2	75 1/2	Br. Trans. 3% '72-77		76 1/2	76 1/2	3 11 4	5 1 4 1/2	54/-	48/-	12 c	Furness Withy £1		65/-	66/3	4 10
90 1/2	85 1/2	Br. Trans. 3% '78-88		87 1/2	87 1/2	3 3 3	5 1 5 1/2	35/9	29/-	3 a	P. & O. Def. £1		51/10 1/2	55/7 1/2	3 10

(e) To earliest date. (f) Flat yield. (i) To latest date. * Ex dividend.
Assumed average life approx. 11 years. † Less tax at 8s. 6d. in £.

Prices, Jan. 1 to April 11, 1956		TRUSTEE STOCKS AND FOREIGN BONDS		Price, April 4, 1956	Price, April 11, 1956	Yield, Apr. 11, 1956
High	Low	High	Low			%
94 1/2	79	Aust. 3 1/2% '65-69		80 1/2	80 1/2	5 7 0
101 1/2	87 1/2	Ceylon 4% '73-75		83 1/2	82 1/2	5 10 5 1/2
103 1/2	88 1/2	N. Zealand 4% '76-78		85 1/2	85 1/2	5 12 10 1/2
99 1/2	87 1/2	L.C.C. 3% att. 1920		61	61	4 18 4
94 1/2	85 1/2	Liverpool 3% '54-64		84 1/2	84 1/2	5 10 7 1/2
92 1/2	83 1/2	M. Wtr. 'B' 3% '34-2003		65 1/2	65 1/2	4 19 0 1/2
92 1/2	84 1/2	Agric. Mort. 5% '59-89		95 1/2	95 1/2	5 5 9 1/2
92 1/2	91	German 7% 1924		104 1/2	104 1/2	...
113	149	German 5 1/2% 1930		188 1/2	188 1/2	...
112	160	Japan 5% 1907		217	217	...
154	190	Japan 5 1/2% Conv. 1930		257 1/2	257 1/2	...

Prices, Jan. 1 to April 11, 1956		ORDINARY STOCKS		Price, April 4, 1956	Price, April 11, 1956	Yield, Apr. 11, 1956
High	Low	High	Low			%
50/-	41/9	BANKS & DISCOUNT		46/-	46/6	5 3 3
56/10 1/2	52/-	6 b Barclays £1		53/-	53/6	5 12 2
72/4 1/2	66/10 1/2	6 b Lloyds 'A' £5, £11 pd.		69/-	69/-	5 4 4
59/10 1/2	63/3	9 a Midland £1, fully pd.		65/-	65/6	5 9 11 1/2
77/9	71/3	9 a N. Prov. 'B' £5, £1 pd.		72/6	71/6	5 11 11 1/2
53/6	30/3	8 b Westmstr 'B' £4, £1 pd.		30/6	30/6	4 18 4
46/-	31/1 1/2	3 1/2 b Alexanders £1		32/6	32/6	6 3 1
49/9	40/6	5 b Nat. Disc. 'B' £1		44/6	44/6	5 7 6
55/9	32/1 1/2	6 1/2 b Union Disc. £1		34/-	34/-	3 18 4 1/2
51/9	34/1 1/2	4 a Barc. (D.C.O.) £1		36/-	39/6	7 11 10

Prices, Jan. 1 to April 11, 1956		INSURANCE		Price, April 4, 1956	Price, April 11, 1956	Yield, Apr. 11, 1956
High	Low	High	Low			%
24 1/2	16 1/2	12 1/2 b Leg. & Gen. £1		20 1/2	24	2 1 8
24 1/2	20	12 1/2 b Pearl £1, fully pd.		21 1/2	22 1/2	5 6 8
48 1/2	40 1/2	12 1/2 b Prudential 'A' £1		44 1/2	44 1/2	4 17 8

* Ex dividend. † Tax free. Gross yield. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) To earliest date. (e) Flat yield. (f) On 8 1/2% (g) On 15%. (h) To latest date. (m) On 10%. (p) On 18% tax free. (q) On 12 1/2% tax free. (s) On 6 1/2%. (t) On 13 1/2%. (u) On 9 1/2%. (w) On 14 1/2%.

New York Closing Prices

Apr. 4		Apr. 11		Apr. 4		Apr. 11		Apr. 4		Apr. 11	
High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
47	47	47	47	55 1/2	55 1/2	Inter. Paper	133 1/2	13	13	13	13
35 1/2	34 1/2	35 1/2	34 1/2	42 1/2	42 1/2	Nat. Distill.	23 1/2	2	2	2	2
43 1/2	42 1/2	43 1/2	42 1/2	18 1/2	17 1/2	Sears Roebuck	33 1/2	3	3	3	3
27 1/2	26 1/2	27 1/2	26 1/2	73	73	Shell	81 1/2	8	8	8	8
183 1/2	184	183 1/2	184	62 1/2	62 1/2	Std. Oil of N.J.	61 1/2	6	6	6	6
11 1/2	11 1/2	11 1/2	11 1/2	45 1/2	45 1/2	U.S. Steel	60 1/2	6	6	6	6
7 1/2	7 1/2	7 1/2	7 1/2	73 1/2	71 1/2	Westinghouse	59 1/2	5	5	5	5
20 1/2	20 1/2	20 1/2	20 1/2	94 1/2	91 1/2	Woolworth	49 1/2	4	4	4	

Comparative analysis of 484 balance sheets published January-March, 1956 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
	No. of Companies		(26)		(25)		(8)		(5)		(19)		(37)		(19)	
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year
Fixed assets.....	71,022	74,391	22,545	24,078	48,199	49,907	32,969	39,458	110,108	119,437	16,354	18,173	32,831	37,500	387,409	418,813
Trade investments.....	580	1,432	368	339	1,905	2,326	324	324	26,534	26,932	559	476	719	883	6,713	8,897
Stocks.....	13,529	14,504	15,327	18,991	25,665	30,635	17,115	19,796	317,554	340,987	6,151	7,074	80,786	36,839	96,737	108,766
Debtors.....	8,468	9,205	4,148	4,402	17,580	17,824	2,144	2,542	99,291	107,616	8,224	9,383	16,877	19,790	74,184	83,720
Net balances due to parent company	...	63	261	380	63	95	...	336	...	...	16	10	25	16	8,692	8,869
Gift-edged.....	2,580	3,718	275	550	852	843	4,191	3,751	944	927	11	11	765	697	2,035	3,056
Cash.....	10,445	7,749	5,394	5,752	10,238	10,159	35,917	35,311	38,560	42,280	2,031	1,588	9,479	6,993	22,477	21,562
Other marketable investments.....	1,002	1,082	67	42	777	751	...	6,813	7,912	2,434	333	27	31	780	1,366	1,566
Intangible assets.....	3,136	3,231	469	499	2,827	2,845	366	366	10,564	10,538	813	828	297	421	312	248
Total Assets.....	110,382	115,435	52,058	55,013	108,016	115,385	93,016	101,569	610,197	656,629	34,393	37,876	91,762	103,170	579,339	655,287
Bank-overdrafts and loans.....	408	1,130	1,276	936	7,201	8,519	386	118	46,629	38,823	388	1,171	1,899	4,600	29,779	28,889
Reserve for future income tax.....	5,355	6,006	2,489	2,497	5,908	8,823	10,355	10,684	19,361	18,077	2,168	1,927	5,434	5,481	43,621	56,958
Depreciation and obsolescence.....	10,676	11,932	6,189	6,875	10,479	10,277	10,297	11,078	41,790	45,656	5,781	6,511	13,651	15,509	96,184	110,592
Capital reserves and EPT refunds.....	8,287	7798	3,709	4,509	13,817	13,889	756	831	36,129	48,355	2,643	1,893	6,908	6,136	28,339	38,713
Other provisions.....	873	891	205	142	2,904	2,920	3,080	3,055	6,534	5,776	82	274	175	152	12,613	14,561
Current liabilities and creditors.....	18,495	18,643	8,695	8,555	19,188	22,201	24,624	27,851	89,325	98,294	7,969	8,796	22,403	23,992	86,751	93,879
Revenue res. and carried forward.....	18,170	20,086	10,253	11,955	17,197	18,435	10,842	14,083	120,332	160,196	5,631	6,079	16,231	20,443	93,113	102,095
Net balances due to subsidiaries.....	...	75	...	...	...	...	13	27	118	115	...	...	68	98	2,289	2,641
Minority interests.....	1,246	1,338	...	27	2,102	2,110	...	2,340	2,538	509	550	556	634	568	3,607	3,712
Debtenture capital.....	11,017	10,679	4,058	4,054	4,772	5,286	758	925	64,447	83,222	1,591	1,724	2,893	3,126	71,373	77,844
Preference capital.....	10,878	10,988	4,781	4,778	7,006	6,998	6,528	6,628	24,708	24,708	1,859	1,890	5,522	5,442	29,667	31,679
Ordinary capital.....	24,987	25,869	10,566	10,686	17,882	19,927	25,418	26,289	108,579	108,579	5,871	7,052	17,053	17,623	82,110	94,645
Total Liabilities.....	110,382	115,435	52,058	55,013	108,016	115,385	93,016	101,569	610,197	656,629	34,393	37,876	91,762	103,170	579,339	655,287

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		News papers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(3)		(12)		(10)		(22)		(14)		(60)		(2)		(7)	
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year
Fixed assets.....	6,323	6,734	15,372	17,105	63,076	83,901	33,409	40,607	22,430	25,992	85,938	98,569	3,386	3,489	10,318	11,149
Trade investments.....	...	91	656	689	5,852	5,349	801	969	712	456	3,753	3,904	18	11	91	87
Stocks.....	4,764	4,019	4,676	5,480	74,804	101,417	30,240	38,745	8,691	10,851	42,973	49,236	26	27	11,578	11,588
Debtors.....	1,865	2,510	4,064	4,970	58,406	74,994	17,483	23,745	7,903	9,258	40,839	51,762	475	311	4,205	4,164
Net balances due to parent company	...	...	18	19	874	1,477	150	182	4	867	419	300	...	...	...	...
Gift-edged.....	302	589	357	311	70	198	40	315	1,329	874	3,230	5,533	...	245	...	87
Cash.....	347	888	4,878	5,278	10,014	9,069	8,773	6,930	7,950	8,574	25,228	22,513	852	1,317	2,671	2,285
Other marketable investments.....	...	...	1,092	903	41	21	244	337	1,254	1,443	1,715	1,779	1,799	1,802	649	1,176
Intangible assets.....	...	...	190	185	112	167	1,106	56	1,502	1,528	2,749	3,846	...	...	84	...
Total Assets.....	13,601	14,831	31,303	34,940	213,249	276,593	92,557	111,844	51,780	58,970	206,941	236,308	7,124	7,202	29,511	30,476
Bank overdrafts and loans.....	110	115	131	225	10,817	11,044	1,855	3,391	63	436	7,456	12,489	6	...	187	287
Reserve for future income tax.....	320	548	2,063	2,060	11,372	11,283	4,352	5,382	3,900	4,372	19,811	12,605	83	62	396	242
Depreciation and obsolescence.....	2,098	2,282	4,681	5,543	29,801	36,968	15,566	17,202	9,164	10,540	27,637	32,868	...	...	4,474	4,808
Capital reserves and EPT refunds.....	2,080	2,158	685	910	10,108	32,964	10,855	7,823	2,846	3,304	11,806	13,518	1,488	1,562	3,584	2,610
Other provisions.....	47	99	92	119	2,651	2,598	537	589	43	78	681	851	619	260	1,467	1,607
Current liabilities and creditors.....	4,268	4,597	5,254	6,651	63,992	66,017	21,088	26,021	6,682	7,720	45,444	50,912	100	392	4,191	4,028
Revenue res. and carried forward.....	2,421	2,823	7,290	8,021	37,600	44,098	20,036	23,079	12,880	16,090	89,760	96,967	1,864	2,312	7,887	7,770
Net balances due to subsidiaries.....	...	...	2	6	7	10	...	...	...	...	...	...	...	...	...	...
Minority interests.....	...	...	57	66	3,750	6,197	398	427	1,023	1,049	4,067	4,083	...	...	...	183
Debiture capital.....	...	...	1,882	1,621	14,873	14,361	682	643	418	407	6,977	7,434	...	...	110	110
Preference capital.....	340	340	2,041	1,883	6,480	7,450	4,830	5,678	5,419	5,482	12,982	12,982	557	557	2,408	2,408
Ordinary capital.....	1,905	1,929	7,115	7,839	31,748	43,613	18,625	21,624	9,807	10,432	37,160	44,631	2,057	2,057	4,608	6,453
Total Liabilities.....	13,601	14,831	31,303	34,940	213,249	276,593	92,557	111,844	51,780	58,970	206,941	236,308	7,124	7,202	29,511	30,476

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS	
	No. of Companies		(16)		(15)		(3)		(32)		(4)		(119)		484 Companies	
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year
Fixed assets.....	4,915	5,110	18,173	20,562	24,387	26,808	6,810	7,066	8,059	8,196	1,426	1,710	54,789	59,249	1,040,268	1,198,604
Trade investments.....	7	10	332	809	1,077	1,070	46	65	1,042	1,075	9	10	27,558	28,998	79,317	84,777
Stocks.....	4,079	3,888	23,727	22,354	10,216	10,945	1,667	1,858	817	1,102	320	468	9,318	11,186	733,935	800,746
Debtors.....	1,743	1,862	7,482	8,056	8,142	8,148	2,731	3,493	361	552	164	81	17,086	20,095	463,790	466,463
Net balances due to parent company.....																
Gilt-edged.....	89	89	1,464	1,343	1,437	1,701	17	17	284	292			44	316	10,856	12,354
Cash.....	1,132	1,168	4,622	4,983	7,866	5,592	3,780	3,461	2,595	1,792	179	173	1,367	1,347	24,927	29,381
Other marketable investments.....	330	313	1,218	1,307	23	180	1		2,435	2,435	867	800	13,639	11,643	228,419	218,340
Intangible assets.....	207	207	66	66	284	285			234	318			161,324	171,256	179,729	192,353
									124	140			1,303	730	26,501	25,186
Total Assets.....	12,502	13,247	57,084	59,490	52,792	54,729	16,025	17,346	14,751	15,902	2,958	3,242	286,424	304,820	2,767,764	3,080,266
Bank overdrafts and loans.....	803	701	1,196	1,600	989	459		461	0				6,962	7,410	118,060	122,774
Reserve for future income tax.....	573	439	3,233	2,745	2,657	2,126	1,184	1,131	500	811	279	246	3,026	3,173	140,755	152,678
Depreciation and obsolescence.....	2,118	2,414	6,228	7,297	10,813	11,951	5,168	5,310	1,047	1,196	313	352	13,582	15,264	327,642	372,425
Capital reserves and EPT refunds.....	203	171	1,129	1,270	2,419	2,167	1		1,861	1,930	325	369	16,005	15,953	164,489	207,893
Other provisions.....	10	8	379	545	30		1		472	550	66	80	3,718	2,849	37,257	38,082
Current liabilities and creditors.....	1,639	1,751	9,947	9,502	8,123	7,991	2,054	2,472	1,719	2,139	606	730	32,321	26,313	466,582	519,443
Revenue res. and carried forward.....	2,874	3,240	16,343	16,160	9,095	9,895	5,291	5,388	2,203	2,339	678	709	30,500	32,465	517,540	571,399
Net balances due to subsidiaries.....								393	2				5	74	3,115	3,694
Minority interests.....	9	9	80	236	1,667	1,842							3,445	3,825	45,835	51,858
Debitum capital.....	250	250	1,406	1,385	1,343	1,317			169	168			72,691	73,312	261,790	267,046
Preference capital.....	1,130	1,130	5,121	5,121	7,521	7,521	61	61	299	293	165	130	46,838	48,257	187,831	191,284
Ordinary capital.....	3,096	3,134	11,941	13,629	8,535	9,630	2,050	2,150	6,469	6,476	626	626	66,242	75,925	498,540	560,810
Total Liabilities.....	12,502	13,247	57,084	59,490	52,792	54,729	16,025	17,346	14,751	15,902	2,958	3,242	286,424	304,820	2,767,764	3,080,266

* 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.....	April 7th	Western Europe :		
Production and Consumption	April 7th	Production and Trade.....	April 7th	
Manpower.....	Jan. 21st	British Commonwealth	April 7th	
External Trade.....	April 7th	Western Europe :		
Financial Statistics	This week	Prices and Money Supply	Jan. 21st	
Industrial Profits	This week	United States	April 7th	
	World Trade.....	This week		

World Trade

(Million US Dollars)

	Exports (f.o.b.)					Imports (c.i.f.)				
	1938	1954	1955	Annual Rate		1938	1954	1955	Annual Rate	
				July to Sept., 1955	Oct. to Dec., 1955				July to Sept., 1955	Oct. to Dec., 1955
WORLD										
Total (1)	20,856	77,297	...	81,750	...	23,556	79,381	...	86,035	...
STERLING AREA										
Total	5,827	18,854	...	20,144	...	7,784	20,642	...	23,123	...
United Kingdom	2,603	7,771	8,467	8,500	9,153	4,496	9,447	10,881	10,984	11,234
UK dependencies	867	3,395	...	3,757	...	903	3,572	...	4,162	...
Hong Kong	185	424	444	445	502	188	601	651	612	705
Malaya and Singapore	328	1,016	1,373 ^a	1,526	1,526 ^a	315	1,026	1,246 ^a	1,329	1,282 ^a
Gold Coast	52	294	...	166	...	50	201	...	234	...
Nigeria	47	418	389 ^a	315	406 ^a	42	319	370 ^a	370	391 ^a
Other sterling countries	2,157	7,688	...	7,887	...	2,385	7,623	...	7,977	...
Australia	530	1,656	1,754	1,453	1,964	527	1,869	2,140	2,059	2,034
Ceylon	104	380	407	377	452	86	293	307	292	326
India	621	1,182	1,247	1,348	1,248	1,291	1,357	1,253	1,460	1,460
Pakistan	...	359	401	385	397	575	335	289	307	258
Iraq	68	489	...	516 ^a	...	46	204	...	260 ^a	...
Ireland	119	322	309	297	335	203	503	570	625	592
Kuwait	...	720	...	820 ^a	...	...	...	...	...	...
New Zealand	225	683	702 ^a	632	584 ^a	225	687	...	781	...
Northern Rhodesia	50	...	...	...	...	28	...	...	...	...
Nyasaland	5	411	487 ^a	619 ^a	609 ^a	4	393	437	414	500 ^a
Southern Rhodesia	30	...	...	...	...	51	...	...	...	...
South-West Africa	17	103	...	...	...	13	70	...	...	...
Union of South Africa	161	912	1,054 ^a	988	1,178 ^a	503	1,365	1,488	1,492	1,428 ^a
ECU COUNTRIES										
Total continental countries	6,565	21,470	24,418	23,435	27,827	7,803	23,656	27,128	26,372	29,273
Belgium Luxembourg	733	2,300	2,764	2,518	3,182	765	2,535	2,825	2,750	3,088
Denmark	334	948	1,042	990	1,154	354	1,163	1,173	1,134	1,242
France	881	4,181	4,800	4,243	5,462	1,324	4,221	4,688	4,327	5,022
Germany Federal Republic	...	5,429	6,113	5,980	6,977	...	4,571	5,800	5,961	6,435
Italy	553	1,636	1,870 ^a	1,989	2,072 ^a	593	2,401	2,700	2,589	2,792
Netherlands	694	2,414	2,675	2,698	2,958	803	2,858	3,208	3,222	3,411
Norway	192	583	634	631	651	292	1,019	1,090	1,019	1,100
Sweden	464	1,583	1,730	1,778	1,952	525	1,776	1,991	1,862	2,147
Switzerland	301	1,225	1,307	1,278	1,488	365	1,300	1,489	1,448	1,634
Turkey	115	335	313	241	407	119	478	498	431	504
Total dependencies (excl. sterling area)	719	3,069	...	3,065	...	780	4,153	...	3,807	...
Netherlands Antilles	187	773	...	751	...	253	966	...	916	...
NORTH AMERICA										
Total	4,020	19,534	20,267	19,962	21,294	3,259	15,654	17,582	17,467	19,211
United States	3,102	15,100	15,525	15,032	16,446	2,465	11,105	12,346	12,126	13,354
Canada (2)	918	4,434	4,742	4,930	4,848	794	4,549	5,236	5,341	5,857 ^a
LATIN AMERICA										
Total	1,660	7,808	...	7,725	...	1,539	7,282	...	7,076	...
Dollar countries	695	4,253	...	4,322	...	572	3,794	...	3,599	...
Cuba	143	539	...	550	...	119	527	...	...	...
Mexico	147	563	656 ^a	645	712 ^a	114	789	791 ^a	778	880 ^a
Venezuela	181	1,690	...	1,834 ^a	...	107	1,002	...	892 ^a	...
Other countries	965	3,553	...	3,403	...	967	3,488	...	3,477	...
Argentina	408	1,062 ^a	...	900 ^a	...	440	955 ^a	...	1,275 ^a	...
Brazil	289	1,562	1,445 ^a	1,567	1,782 ^a	295	1,630	1,283 ^a	1,298	1,190 ^a
REST OF THE WORLD										
Total	2,265	6,564	...	7,419	...	2,391	7,994	...	8,090	...
Egypt	147	397	397	333	485	185	460	523	508	610
Indonesia	381	856	903 ^a	934	1,039 ^a	275	629	604 ^a	619	719 ^a
Iran	146	111	...	...	...	79	229	...	272	...
Japan (3)	767	1,629	2,010	2,048	2,428	759	2,399	2,473	2,361	2,636

Figures cover general trade as far as possible. Area totals include estimates for countries for which data are not available. Data refer to calendar years with the following exceptions in 1938: India and Pakistan, year beginning April; Iran, year beginning June.

(¹) Excludes China (mainland), USSR, and non-reporting countries of Eastern Europe. (²) Including the trade of Newfoundland in 1938, amounting to \$36 million in exports and \$31 million in imports. (³) Excluding trade with Taiwan in 1938. (⁴) Based on two months' data. (⁵) Partly estimated.

Financial Statistics

EXCHEQUER RETURNS

For the week ended April 7th, 1956, there was an "above-line" surplus (after allowing for Sinking Funds) of £6,212,000 compared with a deficit of £21,405,000 in the previous week and a deficit of £23,983,000 in the corresponding period of last year. Net expenditure "below-line" was £3,126,000, leaving a total surplus of £3,086,000 compared with a deficit of £44,021,000 in 1955-56.

£'000	Estimate, 1955-56	Financial Year		Nine Days ended April 9th, 1955	Week ended April 7th, 1956
		1954-55	1955-56		
Ord. Revenue					
Income Tax	1877,400	1892,965	1942,902	33,217	31,374
Sur-tax	136,000	134,700	138,600	4,300	4,600
Death Duties	185,000	187,900	175,700	4,900	3,400
Stamps	74,000	75,100	70,600	2,100	800
Profits Tax, E.P.T.	180,000	172,800	192,500	6,300	5,300
Excess Profits Levy	25,000	76,500	18,450	3,000	200
Special Contribution and other Inland Revenue	1,000	1,280	770	...	...
Total Inland Rev.	2478,400	2541,245	2539,522	53,817	45,674
Customs	1131,700	1100,049	1148,598	24,823	19,636
Excise	811,050	771,637	864,511	11,345	5,940
Total Customs and Excise	1942,750	1871,686	2013,109	36,168	25,576
Motor Duties	80,000	78,980	86,987	2,736	3,280
PO (Net Receipts)	...	5,100	...	...	...
Broadcast Licences	25,000	22,300	25,800	...	...
Sundry Loans	24,000	23,024	29,858	54	52
Miscellaneous	175,000	195,558	197,867	5,917	6,361
Total	4725,150	4737,892	4893,143	96,892	86,943
Ord. Expenditure					
Debt Interest	600,000	569,723	637,884	27,764	27,164
Payments to N. Ire- land Exchequer	53,000	50,191	59,152	1,747	2,007
Other Cons. Fund	10,000	8,812	10,723	...	...
Supply Services	3957,433	3639,933	3752,342	92,950	45,450
Total	4620,433	4268,659	4459,581	122,461	74,621
Sinking Funds	36,000	36,067	36,489	214	110
"Above-line" Surplus or Deficit					
		433,186	387,102	23,983	6,312
"Below-line" Net Expendi- ture					
		493,047	537,981	80,038	3,126
Total Surplus or Deficit					
		66,481	149,879	44,021	3,086
Net Receipts from:					
Tax Reserve Certificates ..	18,704	-45,729	12,733	6,655	...
Savings Certificates	45,850	20,600	2,400	-1,500	...
Defence Bonds	21,280	-29,108	808	-1,622	...

THE MONEY MARKET

LOMBARD STREET in the past week enjoyed unaccustomed relief from credit stringency. On Thursday before the weekend one or two houses were obliged to take a small amount at Bank rate, for the third day in succession; but on Friday credit was in ample supply, and it continued to be easily adequate for demands through the first three days of this week. On Tuesday, indeed, the Bank stepped in with moderate sales of bills to mop up the marked surplus of funds. Dealings in bills have been substantial; the banks have bought end-June maturities at rates down to 5 per cent, but have secured up to 5½ per cent on purchases of other June and early July bills.

At the Treasury bill tender on Friday of last week the market again bid £98 14s. 2d. per cent. Applications for the unchanged offer of £280 million dropped slightly, by just under £2 million to £408½ million, and the market's allotment rose from 54 to 58 per cent. At yesterday's tender the offer was cut by £40 million to £240 million; maturities next week are down by £20 million, exactly matching the amount of new bills, compared with an excess of £20 million of new bills this week and last.

Sterling this week has again risen strongly. On Wednesday the rate was touching \$2.81, compared with \$2.80½ on Thursday last. The price of gold in London fell in sympathy from 249s. 3½d. an ounce to 249s. 1½d.

LONDON MONEY RATES

Bank rate (from 4½% 16/2/56)		Discount rates	
Bank bills: 60 days	5½	Bank bills: 60 days	5½
3 months	5½	3 months	5½
4 months	5½	4 months	5½
6 months	5½	6 months	5½
Fine trade bills:		Fine trade bills:	
3 months	6-6½	3 months	6-6½
4 months	6-6½	4 months	6-6½
6 months	6-7	6 months	6-7

* Call money.

BANK OF ENGLAND RETURNS

	April 13 1955	April 4 1956	April 14 1956
Issue Department*			
Notes in circulation	1,730.0	1,852.4	1,850.1
Notes in banking dept.	20.4	23.0	25.3
Govt. debt and securities*	1,746.2	1,871.3	1,871.4
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
Banking Department:			
Deposits:			
Public accounts	16.4	15.7	15.6
Treasury special account	4.1	3.2	3.2
Bankers	274.3	225.1	231.6
Others	64.1	79.3	72.8
Total	358.9	323.3	322.2
Securities:			
Government	331.3	276.6	272.2
Discounts and advances	8.8	23.5	25.4
Other	13.7	16.6	15.3
Total	353.8	316.7	312.9
Banking department reserve	22.8	25.1	27.2
"Proportion"	6.3	7.7	8.5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £1,075 million from £1,025 million on March 21, 1956.

TREASURY BILLS

Date of Tender	Amount (£ million)		Three Months' Bills		
	Offered	Applied for	Average Rate of Allotment	Rate at Max	Rate at Min
1955 April 7	250.0	402.4	74	5.00	61
1956 Jan. 13	260.0	387.0	81	4.97	57
" 20	240.0	379.7	81	4.90	50
" 27	240.0	387.3	81	4.02	45
Feb. 3	250.0	395.4	82	6.14	44
" 10	260.0	389.6	82	8.71	52
" 17	250.0	368.7	105	5.88	49
" 24	220.0	404.4	104	4.31	36
Mar. 2	240.0	399.1	104	0.86	38
" 9	240.0	404.7	104	2.23	37
" 16	240.0	381.7	104	3.89	46
" 23	270.0	398.6	102	2.16	68
" 29	280.0	410.1	103	3.66	54
April 6	280.0	408.3	103	5.55	58

* On April 6th tenders for 91 day bills at £98 14s. 2d. secured 58 per cent, higher tenders being allotted in full. The offering yesterday was for £240 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates		Market Rates: Spot					
	April 11	April 5	April 6	April 7	April 9	April 10	April 11	
United States \$	2-78-2-82	2-80-2-80½	2-80½-2-80½	2-80½-2-80½	2-80½-2-80½	2-80½-2-80½	2-80½-2-81	
Canadian \$	...	2-80-2-80½	2-80-2-80½	2-80-2-80½	2-80-2-80½	2-80-2-80½	2-80-2-80½	
French Fr.	972-65-987-35	984-984	984-985	984-985	984-985	985-985	985-985	
Swiss Fr.	12-15-12-33	12-25-12-26	12-25-12-26	12-25-12-26	12-25-12-26	12-25-12-26	12-25-12-26	
Belgian Fr.	138-95	139-60	139-62	139-65	139-65	139-65	139-65	
Dutch Gld.	10-56-10-72	10-56-10-65	10-55-10-65	10-55-10-65	10-55-10-65	10-55-10-65	10-55-10-65	
W. Ger. D-Mk.	11-67-11-84	11-73-11-73	11-73-11-73	11-73-11-73	11-73-11-73	11-73-11-73	11-73-11-73	
Portuguese Esc.	79-90-81-10	80-30-80-50	80-30-80-50	80-30-80-50	80-30-80-50	80-30-80-50	80-30-80-50	
Italian Lire	1736-1762	1755-1756	1756-1757	1756-1757	1756-1757	1756-1757	1756-1757	
Swedish Kr.	14-37-14-58	14-53-14-53	14-53-14-53	14-53-14-53	14-53-14-53	14-53-14-53	14-53-14-54	
Danish Kr.	19-19-19-48	19-36-19-36	19-36-19-36	19-36-19-36	19-36-19-36	19-36-19-37	19-37-19-37	
Norwegian Kr.	19-85-20-15	20-00-20-01	20-00-20-01	20-00-20-01	20-00-20-01	20-00-20-01	20-00-20-01	
One Month Forward Rates								
United States \$	2-80-2-80	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	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	
French Fr.	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	
Swiss Fr.	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	
Belgian Fr.	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	
Dutch Gld.	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	
W. Ger. D-Mk.	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	
Italian Lire	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	
Swedish Kr.	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	
Danish Kr.	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	
Norwegian Kr.	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	
Gold Price at Fixing								
Price (s. d. per fine oz.)	249/3½	249/3½	249/3½	249/3½	249/3½	249/3½	249/3½	



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Chairman - Sir Homi Mody, K.B.E.
Vice-Chairman - C. H. Bhabha

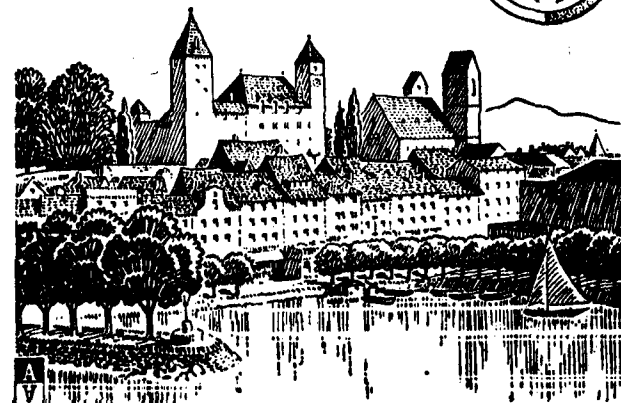
Paid up Capital ... Rs. 3,14,54,250 (£2,359,068)
Reserve Fund and
Other Reserves ... Rs. 4,01,81,217 (£3,013,591)
Deposits (31.12.55) Rs. 1,28,96,40,383 (£96,723,028)

Note: The Sterling equivalents of the Rupee figures shown above have been converted at the rate of 116d. per Rupee.

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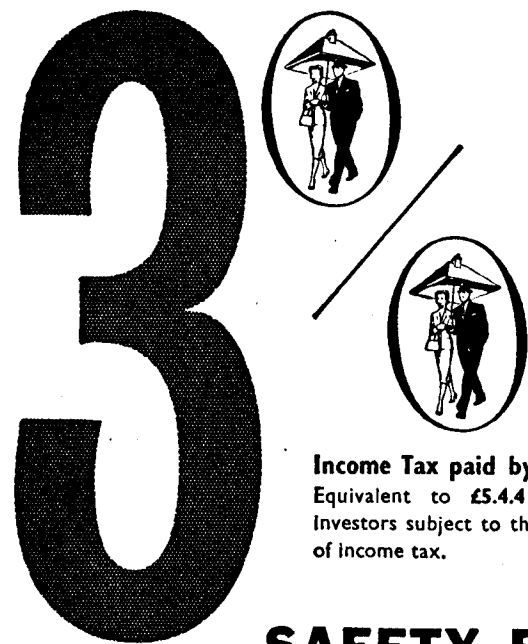
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HEAD OFFICE:

WATER STREET, LIVERPOOL, 2.

Total Asset, (as at 31st December 1955) £342,791,010



THE STANDARD LIFE ASSURANCE COMPANY

BONUS ANNOUNCEMENT

The rate of bonus on full reversionary bonus policies for each year of the three year period ending 15th November 1955 is

42½%

on the sum assured and attaching bonuses

plus an additional

42½%

on bonuses attaching prior to the present declaration

Intermediate bonus at same rates

At this rate of bonus the face value of a policy would increase by more than 50% in 18 years.

THE STANDARD LIFE ASSURANCE COMPANY

Head Office: 3, George Street, Edinburgh.

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

COMPANY MEETINGS

THE HONGKONG AND SHANGHAI BANKING CORPORATION

ANOTHER SATISFACTORY YEAR

GROWING INDUSTRIAL DEVELOPMENT IN SOUTH EAST ASIA

UNDER-DEVELOPED COUNTRIES: CONTINUING NEED FOR
ECONOMIC ASSISTANCE

STABLE CONDITIONS AND PROSPECT OF ADEQUATE REWARD
NECESSARY TO ATTRACT FOREIGN CAPITAL

MR C. BLAKER ON MORE PROSPEROUS TRADING CONDITIONS

The Ordinary Yearly General Meeting of The Hongkong and Shanghai Banking Corporation was held on March 16th at the Head Office, 1, Queen's Road, Central, Hong Kong.

Mr C. Blaker, MC, ED, the Chairman, who presided, said:

Ladies and Gentlemen,

The hour for which this Meeting was called having now passed, I will call upon the Chief Manager to read the Notice convening the Meeting. Mr Michael W. Turner having read the Notice convening the Meeting and a representative of the auditors having read their report, the Chairman continued: Ladies and Gentlemen,

As you will see from the Accounts before you, the profit for the year amounted to \$20,580,320 which is some \$1½ million higher than the corresponding figure for the previous year. In accordance with our usual practice, this profit has been arrived at after making transfers to our inner reserves out of which reserves full provision has been made for the diminution in the market value of our investments and for all known doubtful debts and contingencies.

It is proposed that this year a sum of \$4 million should be written off Bank Premises and, after allowing for this transfer and the Interim Dividend of £2 per share, the Directors recommend the payment of a Final Dividend of £3 per share, leaving a balance of just over \$10½ million to be carried forward to next year.

Although the proposed dividend for the year remains unchanged at £5 per share, it is of course payable on the Capital as increased by last year's bonus issue and is equivalent to £6 5s. per share on the old Capital.

Turning to the Balance Sheet, it will be observed that the Reserve Fund remains unchanged at \$128 million, your Directors having transferred from inner reserves an amount of \$5 million to replace the amount of the Reserve Fund which was capitalised during the year.

Hong Kong Currency Notes in Circulation remain unchanged, but Current, Deposit and Other Accounts have decreased by just over \$115 million. The trend of our ordinary deposits has in fact been upwards, but the withdrawal of certain substantial sums, which had been left with us on a short term basis, resulted in this overall reduction.

Acceptances on behalf of Customers show a decline of some \$36 million which may be attributed to an alteration in the methods of financing adopted by certain large customers during the year.

Your Directors have this year decided to state the extent of the Bank's liability in respect of Confirmed Credits, Guarantees and Endorsements by way of a note on the Balance Sheet and you will observe that this total amounts to some \$611 million. It will, of course, be understood that the Bank has recourse for a like amount on its customers.

The assets side of the Balance Sheet discloses some fairly substantial alterations as compared with last year's figures. Advances and Trade Bills have increased by \$240 million and \$66 million respectively. These increases are mainly due to the higher prices which have ruled throughout the year for certain of the primary commodities produced in the areas in which we are interested, but they also reflect the growing demand for larger advances from bankers to finance current and capital commitments arising from the growing industrial development in South East Asia.

Investments show an increase of some \$9 million being cost of additional investments acquired. Investments in and Amounts due by Subsidiary Companies are higher by \$17 million which represents our interests in The Hongkong and Shanghai Banking Corporation of California.

As a result of the increases in Advances, Trade Bills and the other items referred to above and to the net decrease in our Deposits, the total of Cash, Call Money, and Treasury Bills has fallen by some \$439 million. Although this has resulted in a drop in the ratio of the Bank's liquid assets to its total liabilities, this ratio still amounts to over 47 per cent, which your Directors consider may be regarded as a satisfactory degree of liquidity.

Shareholders will be aware that the continued expansion of world trade and the rise in the price of certain primary commodities, noticeably rubber and tin, contributed to more prosperous trading conditions generally in the territories in which we operate. On the whole, your Directors are very satisfied with the results of the year.

The printed statement which is in your hands deals with the political and economic situation in the Eastern countries where we

have offices. This follows the pattern of previous years but shareholders will notice that considerably less space has been devoted to China than has been the case in the past. This is unfortunately a reflection of the restriction of our activities in that country although I hope that circumstances will make it possible for us to continue to trade with China if no longer in China.

CONTINUED EXPANSION OF BUSINESS ACTIVITY

Hong Kong on the whole had a prosperous year as, in spite of the drop in our traditional entrepot trade with China, business activity generally continued to expand. This has been very noticeable in our office here where the number of current and Savings Bank accounts has steadily increased. We have now reached the point where these two departments have grown larger than is desirable for administrative purposes or for giving as efficient a service to the public as we should like. Your Directors therefore decided to open a new office in King's Road — the North Point Agency — which started business on Monday. This new office will, we hope, lighten the load and we are considering other means of relieving pressure.

In the printed statement details are given of the opening of our new subsidiary in San Francisco. This subsidiary will be able to give a full range of domestic and foreign banking services and will, I hope, prove popular with our many old friends and will make many new ones. It has always been disappointing to us that the services we were permitted to offer in San Francisco were so limited and I am glad that this complaint can no longer be made.

CHIEF MANAGER'S TOUR

Our Chief Manager, Mr Michael Turner, continued the tour commenced in 1954 and visited our branches at Calcutta, Bombay, Colombo and Rangoon. He also spent some time in London and was able when he was there to see our offices in Hamburg and Paris. This completed his itinerary and he has now visited all our offices. In all but a few cases he was accompanied by Mrs Turner. Shareholders will, I think, agree that the extensive tour which the speed of modern times enabled him to make — the first Chief Manager to do so — has been of considerable benefit to the Bank. This not only enabled Mr Turner

to make contact with government officials and our business friends in all these countries but to see for himself how each office was conducted and that the welfare of the staff was being looked after. Once again he was able to give a favourable report on the staff of all nationalities in the countries which he visited. I am glad to say that Mr Turner, in spite of the very busy year which he had, was able to take a short holiday in the United Kingdom.

The sudden death of Mr G. H. Stacey, who held the appointment of Deputy Chief Manager, was a severe loss to us all and the numerous letters we received from business associates of many nationalities gave evidence of the respect in which he was held.

I should like to take this opportunity of thanking all our staff, particularly the Branch Managers, for their loyalty and hard work during the year.

There were several changes in the Board of Directors during the year but as these are shown in the Report which is in your hands, I will make no further comment on them.

There were, however, various changes in London which I should like to mention. Mr S. A. Gray, who has been Senior London Manager since 1948, resigned at the end of the year and was succeeded by Mr S. W. P. Perry-Aldworth, who also took his place on the London Committee. Mr W. J. Keswick resigned from the Committee on being appointed a director of the Bank of England on which we congratulate him although we are sorry to lose the benefit of his experience. The Keswick family has had a close connection with the Bank over several generations and I hope that it will not be long before we have another Keswick on the London Committee. Sir John Nicoll, who needs no introduction to this audience, joined the Committee towards the end of the year and I am sure his experience in Colonial affairs will be of great assistance to our London Management.

Ladies and Gentlemen, The Report and Statement of Accounts having been in your hands for the required period I will now formally propose their adoption as presented.

After the proposal has been seconded I shall be pleased to answer to the best of my ability any questions which shareholders may wish to ask.

The resolution having been seconded, the report and accounts were adopted.

CHAIRMAN'S STATEMENT

The following is the Statement referred to by the Chairman:

In my statement last year I was able to record that an improvement in the cold war had been noticeable. I am now able to say that this trend continued during the summer of 1955 when the climate in international relations became distinctly milder with the meeting of the heads of governments and the feeling that a new spirit had been generated—the spirit of Geneva. Unfortunately the meeting of the Foreign Ministers in the autumn, with the deadlock over Germany, brought a lowering of the temperature which recent events in the Middle East have done nothing to improve.

Looking at the year as a whole, however, there seems to be ground for hope that the danger of war has been lessened, both as a result of the various discussions that have taken place and the growing feeling that the power of modern weapons has produced a form of stalemate. In the Far East there has been a period of quiet—as Mr Macmillan put it in a speech in Parliament in December—"A sort of *de facto* stabilisation had been secured in the Far East at the expense of

varying degrees of partition." Thus, although there remain a number of difficult international questions on which agreement has not been reached, these have not developed to such an extent as to give rise to any fresh disturbances.

Agreement was reached on the introduction of sixteen new members to the United Nations in December, thus ending a deadlock which had existed for many years. We particularly welcome the membership of Ceylon, whose influence in world affairs continued to increase, and the two new States of Cambodia and Laos. It is, however, most regrettable that Japan was not elected at the same time, and I hope that during the next session some settlement will enable this important country to be represented.

Among the many conferences that were held during the year, the one at Bandung last April of Asian and African Powers was of particular significance to this area. As has frequently been the case recently, it was not the decisions reached which gave this conference its importance but the fact that twenty-nine nations, many of whose sovereignty is of comparatively recent date and with different political forms of government, were able to discuss their common problems in a spirit of compromise. To quote from a leading British weekly periodical, "Nothing new was created; but the emancipation of the greater part of Southern Asia was solemnly placed on record, and the lines along which this vast area of the world hopes to advance were made a little clearer."

In the economic sphere considerable industrial expansion continued and in many of the more highly developed countries there were indications that the economy was becoming over-strained. A growing industrial demand for materials and labour, coupled with a high level of employment, resulted in active or threatened domestic inflation which, in some countries, was having an adverse effect on the balance of payments.

The measures taken to combat these dangers varied from country to country but the main emphasis was on monetary rather than on physical controls, on dearer money rather than on restriction of imports. This was an important development but under present conditions, with high taxation, the cost of borrowing is no longer the restraining influence it once was and the great increase in the public sector made supplementary action by governments necessary. Thus raising the bank rate was found to have only a limited effect and it may well be that the role of monetary policy in the economy of today has not yet been finally determined.

In the United Kingdom the pressure of consumer and investment demand brought a continuing rise in prices with a high level of imports which had an adverse effect on the balance of payments. The bank rate was increased to 4½ per cent in February, 1955, but this did not reduce the expansion of credit quickly enough and in July the Chancellor exhorted the banks to make "a positive and significant reduction in their advances." A supplementary budget followed in October and last month a further increase was made in the bank rate with measures to restrict capital investment and to reduce certain food subsidies. It is too early yet to gauge how effective these steps will be or whether more will be required.

A review of conditions in the United Kingdom is outside the scope of these Annual Statements, but the importance to the Bank and to the countries which it serves, of the standing of Sterling needs no elaboration and I hope therefore that the efforts being made to protect the internal value of the Pound will be successful. The high bank rate has

resulted in a considerable drop in the value of gilt-edged securities, but you will notice that we have continued as in previous years to show these in our Balance Sheet at under market value.

In the Asian countries in which most of our branches are situated progress continued to be made in the carrying out of the various development plans, but in many cases second thoughts had to be given to the targets and the speed at which they could be reached. The restricting factors here were, however, mainly lack of capital and shortage of trained technicians. These continued to limit the improvement in agriculture and industrial development which expanding populations make so necessary. Although dearer money was resorted to and had a limited effect in urban economies such as Hong Kong's, it was not in these countries the real answer to the problem. This was not to restrict demand in an over-expanded economy, but to improve the productive resources quickly enough to provide work for the growing population and at the same time to increase the supply of food and consumer goods to meet the requirements arising as a result of industrialisation.

AID FOR UNDER-DEVELOPED COUNTRIES

The Colombo Plan has been referred to from this Chair on numerous occasions and the importance of it has been stressed not only because of the continuing need for economic assistance in South East Asia, but also for the reason that this Plan has generally found favour with the countries in the area. The report by the Council for Technical Co-operation in South and South East Asia for 1954/5 shows that continued progress has been made in providing assistance in training technicians and supplying experts to aid development schemes. It was encouraging to see that while much of the assistance came from outside the area considerable progress was made in mutual aid. The report lays particular stress on the need for "a steady and ever-increasing supply of skilled administrators and technicians" who should be given "full opportunities to use their newly acquired skill at home." It recommends that "counterparts or understudies should be assigned to the expert on continuing projects so as to ensure continuity" and that new projects are "allotted the right priority." The shortage of trained personnel is probably the most serious limiting factor in the plans of these countries for greater industrialisation and the recommendations in this report deserve serious consideration. The meeting of the Consultative Committee was held in Singapore in October and made the welcome decision that the Colombo Plan would be extended from July 1957 to June 30, 1961, and that the future of the Plan would be considered in 1959. Considerable increases in aid were promised and although certain of the members felt that larger amounts of external capital were required the meeting appeared generally satisfied with the progress made. In addition to the Colombo Plan, assistance continues to be granted by the US International Co-operation Administration, various United Nations agencies and the International Bank for Reconstruction and Development. A new corporation, an affiliate of the International Bank, the "International Finance Corporation" to which I referred last year, is in process of formation. This organisation will have power to invest in productive private enterprises without the necessity of a government guarantee, which is a prerequisite of all International Bank loans. The total capital proposed is US\$100 million, but the Corporation cannot be brought into existence until at least thirty countries, with subscriptions amounting to US\$75 million,

have given their formal acceptance. Several countries have already taken this step, including the United States and the United Kingdom, and it seems likely that there will be no difficulties in the establishment of this new organisation, which should be of considerable benefit to under-developed areas.

CHINA

Shareholders of the Bank who knew China in the days prior to the establishment of the Government of the People's Republic of China must surely find it difficult to adapt their minds to the real meaning of the official Chinese policy on present day rural, industrial and sociological matters in that country. There are many pessimists just as there are many optimists in regard to the future of China but lack of information, other than official pronouncements, leaves many with a feeling of uncertainty. Even here in Hong Kong, close as we are to the Chinese scene, we find it hard to keep pace with and to evaluate the day to day economic and industrial changes and developments which are so rapidly being evolved. Nor do we know, neither can we judge, how the Chinese people as a whole—and particularly the agricultural population—are reacting to the kaleidoscopic events which have affected their lives and livelihood so closely in the last few years.

Collectivisation is certainly proceeding with ruthless vigour: at the same time almost the whole range of agricultural production is being directed and controlled from above in a way which has had no previous parallel in Asia. This line of policy is, of course, tied up with the current Five Year Plan and with industrialisation. The whole picture reveals remarkable speed of development. There is special concentration on heavy industries with extensive Russian help. Railway and road communications are being opened up at an astonishing pace, even if allowances are made for some work of a rough and temporary nature.

The key point in the economic policy of China has been summarised as follows: To build a socialist society, which cannot be raised on the foundations of a small-peasant economy; its foundations must be based on large-scale industry and large-scale collective farming.

Such being the fixed policy of the Chinese Government, if British merchants are to retain a share in the China trade and take advantage of the situation, it is important that British policy should be re-examined in collaboration with other friendly governments. No action of the kind we have in mind can however be taken until there is a considerable reduction of the items on the embargo list. The question of the embargo has raised so much controversy in recent years that it has not been easy to discuss it objectively and there are still no signs of any narrowing of the gap between the two points of view. Although we have done our best to carry out not only the letter but the spirit of this embargo we make no secret of the fact that, like almost all British merchants and bankers interested in the China trade, we will welcome the day it is abolished, but as total abolition cannot be quickly brought about, linked as it is with numerous other problems, we are contenting ourselves for the time being with advocating the reduction of the Chinese embargo list to make it similar to the Russian list. This would seem to be the logical solution as it is idle to suppose that China is not able to obtain goods shipped from the West to Russia. Instances have in fact occurred where China has exported to Hong Kong goods which are not permitted to be sent into China under the embargo. We had hoped that at the recent talks in Washington some form of agreement

of this nature would have been reached, but it appears that all that was decided was that a review of the control of trade with China would be made.

Both Hong Kong and Malaya have suffered greatly as a result of this embargo and there is the danger, particularly for Hong Kong and to a lesser degree for Malaya, that, if no substantial relaxation comes soon, the trade lost may never be regained. China is already leaning heavily on supplies from Eastern European countries and this trend is likely to increase so long as the emphasis on all arrangements for exchange of goods with China is on bilateral agreements. With the overall control of the economy which the Chinese Government now exercises, bilateral and barter agreements may be difficult to avoid but under freer conditions the advantage of dealing with Hong Kong merchants, experienced as they are in supplying the China market, would no doubt be appreciated. The Sino-British Trade Committee have recently been informed by the Chinese Government that they see no object in any further visits until there is a considerable relaxation of the embargo. This may be so as far as large parties are concerned but I am sure that a great deal of good would result if it were made easier for individual merchants to visit China to discuss their own particular business problems.

Negotiations regarding the winding up of our affairs in China have made considerable progress during the year and we have been able to reach a settlement of our local currency position but there have been no further developments in respect of our foreign currency liabilities. This settlement has not been made without cost to the Bank but under the circumstances no other course was open to us. Mr Yoxall, our Manager in Shanghai, who bore the brunt of the negotiations, finally obtained permission to leave and has now retired.

HONG KONG

Hong Kong has not featured much in world news during the last year but this lack of publicity has not meant that progress has not been made but only that it has been steady rather than spectacular. We were pleased to welcome the Secretary of State for the Colonies, Mr Lennox-Boyd, who, in his short visit, managed to see a very large part of the Colony. The squatter resettlement programme, which has been made necessary by the large influx of refugees, has always seemed to us to be one of the postwar developments of which we can be most proud and it was encouraging to find this distinguished observer describing it as "one of the most stupendous achievements I have ever seen." On the day of his departure he announced that the term of office of His Excellency The Governor, Sir Alexander Grantham, had been extended until 1957. This was extremely welcome news as Sir Alexander has a very special place in our affections and we are grateful to him for agreeing to defer his well-earned retirement.

The necessity for an improvement to the airport, to bring it up to modern international standards, has been mentioned many times from this chair and I am glad that this year I am able to report that the contract for the new runway was awarded in August and that considerable progress has already been made. Nature bestowed on Hong Kong geographical features which facilitated the construction of a harbour but she has not been as kind over the airport and this will be a costly project. Another large engineering work is nearing completion—the Tai Lam Chung water supply scheme—which will substantially increase our water storage facilities. The consumption of water, however, even under the

strict rationing to which we are subjected, continues to rise—as it must do with a growing population and increasing industrial development—and it seems obvious that some site for another reservoir will require to be found without undue delay. The recent remarks of the Governor on investigations on Lantau Island show that the Government has this matter very much in mind. I mentioned above the squatter resettlement scheme but this is only part of the immense housing problem with which Hong Kong is faced. A visitor arriving here after an absence of some years and seeing all the extensive building that has taken place might be tempted to think that the housing problem was being adequately taken care of but this is unfortunately only partly true. Many of the poorer members of the community are very badly housed and to supply them with better living accommodation at a reasonable cost is a most urgent social need. In view of the importance of this problem, the appointment last month by His Excellency The Governor, of a committee with wide terms of reference to investigate the Colony's housing problem in all its aspects was most welcome.

The development of local industries, which has been such an important feature of recent years, continued and 372 new factories were registered during the year while the production of electricity increased by 15 per cent. Energetic efforts were made to develop new markets and there are welcome signs that the importance of maintaining uniform standards of quality is being more readily understood. The formation of the Hong Kong Exporters Association, with a committee composed of many of our leading merchant houses, should greatly assist the marketing of the products of our industries. An invisible export is provided by the large numbers of tourists, both service and civilian, who visit Hong Kong each year. It has been proposed that a Hong Kong Tourist Association should be formed to develop our tourist trade and a working committee of representatives of the interests concerned was appointed in August to look into the question.

TRADE OF HONG KONG

Hong Kong's trade in 1955 increased by 7 per cent in value while volume showed a rise of 14 per cent. It is encouraging that the rise has been steady over the last few months of the year and that exports of Hong Kong products continue to increase. Exports to the United Kingdom increased by HK\$89 million. This will not cause any surprise to shareholders, who will no doubt have seen many references to this subject in the press, but imports from that country also rose by HK\$72 million which is given considerably less publicity. Even now our exports to the United Kingdom are still only 57 per cent of our imports from there. Trade with China in total was about the same as in 1954 but the drop of just over HK\$200 million in exports was offset by a rise in imports of a similar amount. This decrease in exports was caused by a considerable reduction in each of the three largest groups of commodities—namely dyestuffs, fertilizers and pharmaceuticals—which we have recently been shipping to China. Trade with other East Asian countries showed an overall increase and it was encouraging to see the steady rise in exports to Indonesia, Indo China and Thailand in the closing months of the year.

Business on the Stock Exchange continued to be very active and the volume for the first six months of the year was greater than that for the same period in 1954. In July the turnover was more than double the figure for June and there were signs that these almost boom conditions were having a disturbing effect on the economy, which if not

checked, might result in more serious developments. The rise in short term money rates in so many countries was also beginning to be felt in Hong Kong and, after consultation with the Government, we and the other note issuing banks raised our interest rates in August. This we followed in November by a reduction in the percentage of market value which we would normally advance against shares. These measures were aimed at curbing further expansion of credit for speculation and have in our opinion resulted in a healthier position in the market. The price of land continued its upward movement and some very valuable properties changed hands. There were, however, signs towards the end of the year of a slackening of demand and it may be that the peak has been reached for the time being.

FINANCES OF HONG KONG

The Financial Secretary, Mr A. G. Clarke, in his speech in the Legislative Council at the end of last month, when he presented the Budget, was able to show that the Colony's finances are in a very healthy state. A surplus of over HK\$16 million was expected for the current year which was brought about by both higher revenue and lower expenditure than was estimated. Salaries and Profits tax showed a fall but this was more than made up by rises under other headings, a large part of which was due to the active conditions in the property market and building trades. For the financial year 1956-57 a deficit of HK\$43½ million is estimated but this includes expenditure of HK\$30 million for the Tai Lam Chung scheme and HK\$32 million for the airport. Both these items are public works of a capital nature which are essential to the future of the Colony and for this reason the size of the deficit should not give cause for alarm.

At the conclusion of his address Mr Clarke took stock of the Colony's financial position ten years after the re-establishment of civil government. This showed that, in spite of the heavy programme of rehabilitation, the cost of housing the large number of refugees and general postwar development, Hong Kong has built up a reserve of a year's revenue with a public debt of less than two months' income. When it is remembered that the Colony started with no surplus funds after the war this happy state of affairs I think reflects great credit on Mr Clarke and his predecessor as well as on the industrious people of Hong Kong whose energy and adaptability have made it possible.

JAPAN

Japan's population is likely to pass the ninety million mark during 1956 and any analysis of economic and political developments in the country cannot ignore the steadily increasing pressure which a rising population makes on available resources. Economically 1955 was a good year and the visible adverse trade balance was reduced by US\$300 million while foreign exchange receipts, which include invisibles, exceeded payments by nearly US\$500 million. This improvement has been achieved in the face of a gradual but nevertheless steady decrease in the foreign currency obtained from the US Forces. The deflationary policy which we mentioned last year continued during 1955 and commercial banks' borrowings from the Bank of Japan reached the lowest level since 1946; but, helped by a lively export demand, no serious restriction in business activity was apparent although unemployment figures gave cause for concern. Good crops of rice and cereals contributed to the improved balance of payments position. The draft budget, which is at present before the Budget Committee in the Diet, shows little

change from last year and although the note issue rose by 8 per cent this is considered to be a reasonable reflection of the general expansion in production, including the bumper rice crop. The Anglo-Japanese Sterling Payments Agreement of January, 1954, was extended until September 30, 1956, with Japan agreeing to remove certain restrictions on imports from the sterling area. This agreement will be reviewed again this year. During the year Japan became a full member of GATT but her satisfaction was tempered by the fact that a number of nations invoked Article 35 against her.

Three agreements have been made with the United States Government covering the sale to Japan of agricultural produce against payment in Yen while part of the Yen proceeds is available as a long term loan for capital development. Considerable assistance is also being given by the United States Government in providing technical training and the International Bank for Reconstruction and Development has recently agreed to grant a loan of US\$8 million for the modernisation of heavy industry. All these arrangements should greatly benefit Japan's productive resources.

Unfortunately labour relations have not been too happy and there are ominous signs of further troubles on a nation-wide scale. All our Japan offices were involved in a strike which lasted seven weeks but in spite of the difficulties encountered I am glad to say that we managed for the most part to meet the requirements of our constituents.

As a result of the merger of the two wings of the Socialist party on the one hand and the Liberal and the Democrats on the other a two party system has been created. Provided each party can continue to maintain a reasonable degree of unity this development should strengthen the parliamentary system. Between the two parties themselves considerable differences exist over both foreign policy and defence. Mr Hatoyama, the Prime Minister, in December made it clear that his government—composed of the Liberal-Democratic party—intend to revise the Constitution, reform the administration and revise the system of taxation. This programme is generally regarded as designed to enable Japan to rebuild her armed forces. Mr Shigemitsu, the Foreign Minister, at the same time gave a review of foreign policy but was unable to report much progress in the Japanese-Soviet negotiations taking place in London which had foundered on the two issues of repatriation of Japanese prisoners and the settlement of territorial questions. He promised to strive for a speedy solution of the outstanding reparations agreements and to promote "a positive expansion of our trade with all countries." The Socialists on the other hand are opposed to rebuilding the armed forces and to the government's policy with regard to China.

On the whole Japan has recently made much progress but the rising population makes a continuing expansion of the export trade essential which is likely in the long run to influence political decisions.

INDONESIA

The political situation in Indonesia is extremely complex and it is often difficult for foreign merchants and bankers, occupied as they are with their day-to-day tasks, to follow the trend of events. The rivalry of political and military leaders has been a deciding factor in the composition and policies of recent governments and the elections have on that account been repeatedly postponed. It is therefore a matter of considerable importance that these elections were finally held towards the end of the year and that polling day passed off without major incident. Pro-

visional results show that no one of the four major parties obtained sufficient seats to form a government on its own and some form of coalition seems probable. The government, which has been in office since August, under the leadership of Mr Burhanuddin Harahap, appears to have tackled the many problems which faced it with vigour and, aided by the rise in the price of rubber, it has greatly improved the economic position of the country. We have more than once quoted from the Bank Indonesia Report, as this always gives an objective view of conditions in the country, and in the Report for 1954-55 published last year the Governor gave warning of the dangers of the continuing increase in the supply of money and went on to show the necessity of weakening the effect of inflation "which should primarily be brought about by reducing the cash deficit of the government." The need for such action is made apparent from a study of the current advance to the government by the Bank Indonesia. This rose from Rupiahs 1,433 million at the end of 1953 to Rupiahs 4,477 million at the end of 1954 and Rupiahs 5,959 million in June, 1955. During the second half of the year a generally tighter money policy was adopted and an overhaul of the systems of import and export control was carried out. These measures have resulted in a drop in the advance to the government to Rupiahs 4,074 million at the end of 1955. Gold and foreign exchange reserves have increased and the estimate for the 1956 budget shows a deficit of Rupiahs 1,000 million—a considerable reduction. The improvement in the free market rates for gold and foreign currencies shows that there is increased confidence in the economy.

Relations with Holland have unfortunately deteriorated in recent years and discussions over a number of outstanding matters were held recently at Geneva. Although at one time there seemed to be hope of some form of agreement being reached the conference ended in failure and Indonesia subsequently abrogated the Netherlands Indonesian Union and the financial and economic agreements entered into in 1949.

THE PHILIPPINES

Our Office in Manila was opened on November 11, 1875, and the eightieth anniversary was duly celebrated at a reception of friends of many nationalities.

During 1955 President Magsaysay considerably strengthened his position by his sweeping victories in the Senate and the local elections and he continued his drive to improve conditions for "the common man." Unfortunately, however, all has not been well on the economic front and the administrative difficulties I mentioned last year still hold up progress. Foreign currency reserves declined from a figure of US\$273 million to US\$213 million. Although the prices of copra and some other exports tended to be lower, the main cause of this drop in reserves was the increase in imports—chiefly capital goods and raw materials—which has so far only been slightly counterbalanced by restrictions on the import of less essential goods.

The revision of the Bell Trade Act was approved by both the Philippine and United States Congresses. This comprehensive treaty will materially and increasingly affect trading relations between the two countries. From the beginning of this year free trade has ended and customs duties will be applied by each country on imports from the other on a gradually increasing scale, but whereas the Philippine duty on United States goods starts at 25 per cent of the standard rate, the US duty on Philippine goods will initially be only at 5 per cent. The Philippine Government has been given power to change the value of

the Peso without reference to the United States Government, and has also undertaken to abolish the exchange tax on remittances but this tax has been replaced by a special import tax which will be gradually reduced. Alterations have been made in the rate at which import quotas will be applied by the United States, and each country is permitted reasonable quantitative import restrictions to protect domestic industries. The immediate effect on Philippine exports is likely to be small but on a long term view it will be necessary to explore ways and means of reducing production costs if the traditional markets in the United States are to be retained.

On the whole this is a favourable agreement to the Philippines as their market in the USA for their exports is still available on advantageous terms and the revenue from customs duties is likely to increase. On the other hand there is the danger that there will be a rise in the cost of living which will make a reduction in export prices more difficult. Meanwhile it is encouraging to learn that the President has instructed the Monetary Board of the Central Bank to tighten up import controls to prevent a further drop in the foreign currency reserves.

THAILAND

Reports from Bangkok indicate that there has been a considerable improvement in both the political and economic fields since my statement was issued last year. For this a great deal of the credit is due to the Prime Minister, Field Marshal Pibul Songgram who, on his return from a successful overseas tour, introduced measures aimed at stamping out corruption in the administration and permitting freedom of speech both at public meetings and in the press. It is too early to judge how permanent these reforms will be, as personalities play a large part in politics in Thailand, and already there are signs of restriction in public discussion, but the immediate outlook is encouraging. So also is the economic position, as exports were well maintained and in particular the tonnage of rice exported was greater than in 1954 although prices were lower. During the year all the regulations which necessitated surrender of part of the foreign exchange proceeds of exports at the official rate were withdrawn but rates of duty were raised to compensate. Import licence requirements were abolished in September for the majority of goods and customs duties were raised at the same time which should have a beneficial effect on the revenue.

Exchange rates during the first half of the year showed wide fluctuations, but in July a Stabilisation Fund was set up which is operated by the Bank of Thailand. This Fund seems to have been successfully managed and since its formation the market has been much more stable. Ordinary expenditure in the budget was balanced by revenue but appropriations for improving transport and irrigation resulted in an overall deficit which will be financed by loans and from Treasury balances.

The above are a few of the many developments that have taken place in Thailand in 1955, and while last year I opened this paragraph with a reference to "cautious pessimism" I think it would be reasonable to close it this year with the words "cautious optimism."

VIETNAM

The partition of Indo-China left behind many political and economic problems to be solved by the State of Vietnam. Amongst these was the settlement of the many refugees

who poured in from the north, and the challenge to the authority of the government by several warring factions, each with control over private armies. Economically there was the task of rehabilitation after the ravages of war and the building up of a viable economy—deprived as the state is of the industries and rich coal fields of the north. In these circumstances progress must inevitably be slow, but a great deal has already been achieved with the help of substantial aid from the United States of America and the government has considerably strengthened its internal position by successful military action. At a plebiscite in October Mr Ngo Dinh Diem was elected Head of State, in place of Emperor Bao Dai, and he has been recognised as such by the French and other governments. The loosening of the ties with France has resulted in a gradual switch of trade from the Franc area and the economic and financial agreement with France was allowed to lapse at the end of 1955. Elections have recently been held at a Constituent Assembly for the purpose of considering the new Constitution, but the problem of the joint elections with the north, which were part of the Geneva agreement to decide the future government of the whole country, remains.

CAMBODIA

Our Office in Phnom-penh got off to a satisfactory start and will I think prove to have been worth while. The port itself is, however, far from satisfactory due to the shallowness of the river but the scheme for the deep water port of Kompong Som is being pushed forward. Prince Sihanouk, the Prime Minister, had a sweeping success in the elections in September and the political situation appears stable.

MALAYA

Singapore is our largest office in the East after Hong Kong and in the Federation of Malaya we have a greater number of offices than in any other territory. The recent constitutional developments are therefore of great interest to the Bank and although it is always difficult to assess the importance of contemporary events, until the passing of time enables a more detached view to be taken, it appears probable that 1955 will be considered a most significant year. Elections were held in both territories and a great part of the responsibility for the day-to-day government passed to the ministers whose parties held majorities in the newly elected legislatures. As the months moved on however, it became clear that the desire for a more rapid transfer to these ministers of such powers as had been reserved was becoming more insistent and that to a considerable extent this desire would be satisfied. Shareholders have no doubt been following the course of events in these territories, as this has had a great deal of publicity in the British press, and they will therefore be aware of the way matters have developed. I sincerely hope so as it is not possible here to do more than touch on one or two of the more important items.

Arrangements were made during the summer for delegations from both territories to visit London during 1956 to discuss future political developments and the visit of Tengku Abdul Rahman and his ministers took place in January. At this meeting it was decided that every effort would be made for the Federation to have full self-government and independence within the Commonwealth by August 1957 and a Constitutional Commission would be appointed immediately to draw up a constitution. Britain would continue until that date to be responsible for foreign affairs and external defence but there would be changes in the administration of

internal defence arrangements and the Chief Minister has recently taken over the portfolio of Internal Defence and Security. Responsibility for all financial matters, at present discharged by the Financial Secretary, would be transferred at once to an elected minister and Colonel H. S. Lee has taken over this portfolio. The Federation recognised "the important part which overseas capital must continue to play in the economic and social development of Malaya" and that "membership of the Sterling Area was to the common advantage of the Federation and the other members." The talks with the Singapore Government will take place in April but Mr Marshall, the Chief Minister, with two of his colleagues, visited the United Kingdom in December when the agenda was agreed.

The discussions in London set the course for constitutional developments in these countries and I should like to wish them every success in the days that lie ahead; and to hope that their approach to the many difficult problems, both political and economic, with which they are likely to be faced will be of advantage to them both and to the Commonwealth as a whole. One of the most important of these problems will be the relationship between the two territories, as a measure of agreement on many matters of policy will be to their mutual benefit.

Economically, both have had a good year due to the rise in the prices of rubber and tin. The price of rubber was fairly steady during the first half of the year but there was a considerable rise during August and September and the average for the year increased by over 1s. per pound. Exports from Malaya were 994,000 tons compared with 915,000 tons the year before. The challenge by the synthetic industry, however, is always present and it is encouraging that a scheme to foster replanting, both for estates and small holders, was finally put into operation. This scheme has been drawn up after consideration of the recommendations of the Mudie Report and the Rubber Producers' Council and is in the nature of a compromise, aimed at assisting replanting where it is most needed.

The price of tin rose slowly during the major part of the year but there was a jump in December due to a shortage of stocks for spot delivery. Indonesia's recent decision to ratify the International Tin Agreement will enable the International Tin Council to be inaugurated but the building up of the buffer pool may take some time so long as prices remain at present levels. Tin production in Malaya was a postwar record while exports were 71,150 tons compared with 70,333 tons in 1954. Production of iron ore has been increasing in recent years and the total for 1955 was 1,466,184 tons as compared with 1,212,780 tons in 1954.

The Malayan trade figures show a favourable balance of M\$335 million with imports at M\$3,821 million and exports at M\$4,156 million.

The budgets of both territories showed few changes in taxation but this was mainly due to the fact that the Federation Government, having been in office for only a few months, decided to introduce a "standstill" budget for the time being and Singapore decided not to act on their own. From a study of the speeches, however, it would seem that some increases cannot be long delayed. Due to the rise in the price of rubber the Federation expected to turn an estimated deficit of M\$148 million into a surplus of M\$42 million. For the forthcoming year estimated expenditure shows an increase of M\$86 million, including a grant of M\$23 million to the rubber industry for replanting, leaving a deficit of M\$50 million. Singapore esti-

mated a surplus of M\$2 million for 1955 with a deficit of M\$15 million for 1956.

The report of the International Bank Mission, which visited Malaya early in 1954, was published in September, 1955, and gave a comprehensive survey of economic conditions in the Federation and Singapore and made numerous recommendations for increasing the territories' productive resources. This useful report is, I understand, being studied by the two governments and no doubt action on some of its recommendations will be taken shortly.

Although considerable successes have been achieved in the eight year old war against the terrorists, incidents continue to occur at frequent intervals and the terrorist organisation is still a very active force. In the hope of hastening the end of the fighting the Federation Government declared an amnesty in September offering freedom from prosecution to those who surrendered, but the response to this offer was disappointing. Arrangements were, however, made for a meeting between the two Chief Ministers and the Communist leader, Chin Peng, which was held at the end of December. This meeting proved a failure and the amnesty terms were withdrawn on February 8th and in broadcasts to the people of Malaya, Tengku Abdul Rahman has made it clear that action will continue against the terrorists until they surrender. Disappointing as it is that no tangible results have been achieved as a result of the amnesty, it has been clearly shown that the intention of the terrorists is to overthrow the elected government of the Federation and this has strengthened the government's hand. Tengku Abdul Rahman has been resolute in his approach to this problem and Mr Marshall showed considerable political courage in his successful effort to place certain of the emergency regulations on the statute book.

I should like to pay tribute to the Commonwealth Forces who have served in Malaya since the Emergency began. To their courage and devotion to duty the progress so far made is due. Never knowing where or when the enemy would strike their task has not been an enviable one and many have lost their lives.

In Singapore there have been considerable labour disputes and unrest resulting in a wave of strikes which has had a disturbing effect on the economy. According to statistics issued by the Labour Department, nearly 950,000 man days were lost during the year. The danger of labour disputes to a free port, dependent to such a large extent on its entrepot trade, is so evident that the finding of an early solution to this problem would appear to be one of the most urgent questions which faces the Singapore Government.

Before I leave Malaya I would like to mention the new airport at Paya Lebar in Singapore which was opened by Mr Lennox-Boyd in August. This is one of the largest in the East and will maintain Singapore's position as an important junction on the international air routes.

NORTH BORNEO

In North Borneo also the increased price for rubber resulted in a marked improvement in the trade figures and revenue. Whereas in 1954 imports and exports were almost in balance at around M\$75 million, in 1955 exports increased to M\$105 million with imports at M\$87 million. Revenue exceeded the estimate by M\$3 million. In his address in the budget debate the Governor, whom we congratulate on the well-deserved honour conferred on him at the New Year, informed the Legislative Council that he proposed to widen the composition of that body by nominating eight unofficial members from a panel recommended by certain recognised

public bodies and organisations. While this step "involves no amendment of the Constitution of the Colony," it should result in a more representative expression of opinion being heard in the Council. The labour situation, to which reference has been made on many occasions in these annual reviews, remains difficult, but I am glad to see that the Agreement with the Government of The Philippine Republic, which, I mentioned last year, was signed in August, although no immediate results can yet be reported.

The formation of the North Borneo Credit Corporation with an advance from the government of M\$1 million to provide loans for development and building should give stimulus to new projects, but the need for technicians at all levels, to which I referred above, applies with particular force in Borneo and is a long term problem with no easy solution.

The facilities at Labuan airport are proving to be inadequate by international standards and considerable work on reconstruction has been put in hand. It was subsequently found that the proposed improvements would not be sufficient to accommodate the larger types of modern aircraft and an expert from the Ministry of Transport and Civil Aviation has recently visited the airport to advise the government on what is required. The question of the restoration to Labuan of its prewar status as a free port has been in the news again and the Governor has promised to re-examine it.

Once again I have to record a most satisfactory budgetary position in Brunei State where the estimated revenue exceeds expenditure by M\$71 million.

INDIA

India has made no secret of the fact that she is moving towards "a socialistic pattern of society" and this goal has been generally accepted by the public. Until recently the movement in this direction has been gradual under the first five year plan, but the pace is likely to be increased with the introduction of the second five year plan, a much more ambitious programme. Evidence of this can already be seen in the revision of Article 31 of the Constitution, to which reference was made last year, the Companies Act 1956, with its restriction on the activities of Managing Agents, and the recent decision to nationalise life insurance. Foreign merchants are not alone in their fears of the cumulative effect on the private sector that the increasing power of the state will have.

The first five year plan with its emphasis on rural planning and communications, with the consolidation of existing rather than the construction of new industries, did not impose a great strain on the economy. Helped by three favourable monsoons agricultural production increased satisfactorily and the economy has been able to take in its stride the budgetary deficits while prices have remained stable. While final details of the second five year plan are not yet available, considerable emphasis is being laid on the expansion of heavy industry, and the total outlay in the public sector is expected to be in the nature of £3,600 million nearly double the figure for the first plan. A considerable part of the finance will be obtained again by deficit budgeting, even though a rise in taxation is expected. Whether the targets for this immense undertaking are likely to be achieved is a question on which I, from this distance, do not feel qualified to express an opinion. The President of the Associated Chambers of Commerce in India, however, in his annual address in Calcutta in December, after some very cogent remarks on the necessity of the fullest co-operation between

the public and the private sectors and the danger of unhealthy competition between the two sectors, suggested that they were attainable provided "the necessary transport—particularly the rail transport—is made available." India so far has made considerable progress—much greater than I think was expected—and at this stage we can look forward with some confidence.

The report of the States Reorganisation Commission was published in October and many of the recommendations proved generally acceptable. The proposal made regarding Bombay, however, raised considerable objections and the announcement of the decision of the government to administer Bombay from the Centre had unhappy results. Further difficulties may be encountered before a final settlement is reached.

The role of foreign capital in present-day India is difficult to forecast. A survey published recently by the Reserve Bank of India showed that nearly 83 per cent of all foreign investments in India at the end of 1953 came from the United Kingdom, and during the period 1948-53 the percentage of the United Kingdom's share of new business investments was not much less. These figures show to what extent British capital is involved. While speeches of individual ministers promise fair treatment to foreign capital they have recently made it clear that India is not likely to change her internal policies to attract foreign investment. It seems probable that in the future the role of foreign private investment in India will be smaller than in the past and that the emphasis on foreign investment as a whole is more likely to be on a government to government basis. The large sums required are probably beyond the means of all but the largest concerns but there is, I am sure, a marginal role in which private capital can play its part if given its chance.

The introduction of a decimal coinage is promised on April 1, 1957, with the rupee being divided into one hundred naya paise. This will result in the disappearance of the anna. Another break with the past was the nationalisation of the Imperial Bank of India. This bank was formed in 1921 as the result of the amalgamation of the three Presidency Banks and before the setting up of the Reserve Bank of India it acted as the government bank.

Space precludes mention of a number of other important developments in India, but I should like to touch briefly on the visit of the Russian leaders, Marshal Bulganin and Mr Khrushchev, with their attacks made, in both India and Burma, on the West and the United Kingdom in particular. There seems no doubt that this visit was a considerable personal success for the Russians but their comments on the United Kingdom must have been embarrassing to their hosts. On the economic side this visit may very likely result in increased trade between Russia and India, with greater competition for British firms, but the effect of such biased speeches on informed opinion in India should not, I think, be overrated and it may be that the Russians overplayed their hand.

BURMA

From India we now turn to Burma whose connection with her large neighbour has always been very close. Both countries have adopted a policy of neutrality and the Prime Minister, U Nu, paid a number of visits to countries on both sides of the Iron Curtain. Burma too is endeavouring to raise the standards of living of the country by means of a planned development scheme; but unfortunately the fears I expressed last year, that she might be trying to do too much too

quickly, have only been too well founded, as the difficulty experienced in disposing of her rice has resulted in a steady fall in the foreign currency reserves.

In March a severe cut was made in the import programme which had the inevitable effect of reducing customs revenue and making the balancing of the budget more difficult. As a result it was found necessary to prune rigorously the estimates for capital expenditure. A loan has been promised by India and other forms of aid are being sought. Barter deals have been arranged with several countries and while these should result in the disposal of a part of the export surplus there remains the danger, inherent in such transactions, that Burma may have difficulty in obtaining the goods she requires. Yet in view of the prevailing buyers' market for rice it is understandable that such transactions should be found attractive to Burma. Meanwhile efforts are being made to improve the quality of the paddy, and production of other agricultural commodities such as vegetable oils, cotton and jute are being increased, which it is hoped will result in a saving of foreign exchange. Fears are expressed that the increase in the number of barter deals, coupled with the Reparations Agreement between Burma and Japan, may have a serious effect on Commonwealth trade. It is, however, encouraging that a Hong Kong firm last year obtained a contract for the construction of barges against strong foreign competition.

Burma also had a visit from the Russian leaders which was followed shortly after by the visit of Sir Hubert Rance—the last Governor of Burma—accompanied by Lady Rance. The spontaneous welcome Sir Hubert and Lady Rance received during their stay was evidence that old friendships had not been forgotten.

CEYLON

The improvement in Ceylon's balance of payments, which took place in 1954, continued with increasing momentum in 1955 and resulted in a trade surplus of Rs479 million against Rs412 million for 1954.

Tea prices, which at the beginning of the year were Rs3.29 per pound, fell considerably in the early months reaching a monthly average of Rs1.34 for May, but rallied to Rs2.15 by December. The average for the year was Rs2.24 against Rs2.56 for 1954.

The increase in the price of rubber not only benefited the general balance of payments, but enabled a higher return to be obtained from June 1st for the rubber shipped to China, which was originally arranged as a barter deal against rice. Due to the drop in Ceylon's purchases of Chinese rice, China's debt to Ceylon under this arrangement is considerable and so far no decision seems to have been taken as to the method by which this will be settled.

Ceylon, like many other countries, has drawn up a new development programme for a period of six years, but this only covers government expenditure and "does not constitute an overall plan for the economy as a whole." The programme provides for an expenditure of Rs2,500 million over the period with the main emphasis on agriculture and public utilities. The targets set out are comparatively modest and it is hoped to be able to finance them out of the annual budget, but the authors of the plan appreciate that the prosperity of the country is dependent to such a large extent on the prices obtained from tea, rubber and copra that they have allowed for an adjustment in the targets if it is found that a continuing

deficit in the budget shows that they were too high.

Legislation was passed during the year for the formation of the Development Finance Corporation of Ceylon to assist private industrial and agricultural enterprises and "to encourage and promote the participation of private capital, both internal and external, in such enterprises."

Last month parliament was dissolved and elections will be held in April. The United National Party, who form the present government, wish to obtain a mandate from the people to replace English by Sinhalese as the official language of Ceylon.

SAN FRANCISCO

On August 15th a subsidiary of the Bank, The Hongkong and Shanghai Banking Corporation of California, was opened in San Francisco. The Bank, since its foundation in 1865, has had a very long connection with San Francisco as, in that year, we appointed the Bank of California as our Agent. Ten years later in November, 1875, our own office was opened. From that time this office has contributed greatly to the business of our Far Eastern offices with the West Coast of America but it has not been permitted to carry on domestic banking in the State of California. The new subsidiary, however, is able to offer a full range of domestic banking services maintaining current and savings accounts, receiving money on deposit and granting approved loans, as well as providing the facilities for financing foreign trade which has been our main function in the past. In January of this year a move was made into handsome new premises which have a modern layout and are quite up to the standard of our main offices elsewhere. I am told that they compare favourably with other banks in San Francisco and the move will give greater scope for the extension of business which we hope to see.

Once again I come to the end of our annual survey of the Eastern scene in which I have tried to give a brief review of political and economic conditions and to pick out a few of the more important events of the year. Shareholders will, I think, agree that this has been a satisfactory year: political differences have not been too acute and economic development has made progress. The countries in Asia are moving along paths of their own choosing and foreign merchants and bankers must adapt themselves to these changing conditions. This we are trying to do; as indeed we should, as indeed we must. But what of new foreign investment? That is another question altogether. Many other avenues are open and the most attractive will be chosen. Much lip service is paid by certain countries to the desire to attract foreign capital but stable conditions and prospects of an adequate reward will do much more than any number of exhortations. This is a question each country must decide for itself and the response will surely depend on the decisions made.

In conclusion I feel I cannot do better than quote an extract from a speech made at a Conference on Financing the Economic Development of Underdeveloped Countries organised by the United Nations Association in London recently. "If... the underdeveloped areas generally, are to attract private capital, they have to create conditions in which it appears to people who are trustees for other people's money that this is the best investment in the world which is open to them at the moment. This means to say that conditions have to be such that the risk of loss of income or loss of capital is at a minimum, and secondly, that the yield is likely to be sufficient to offset any such danger as remains."

THE HALIFAX BUILDING SOCIETY

ONE HUNDRED AND THIRD ANNUAL MEETING MARCH 26, 1956

SPEECH OF ALGERNON DENHAM, JP

The one hundred and third Annual Meeting of the members of the Halifax Building Society was held in Halifax on March 26, 1956, the President, Mr Algernon Denham, JP, presiding. In moving the adoption of the accounts the President said:

The figures disclosed in the Balance Sheet follow a pattern to which we have grown accustomed, the assets at £264,485,160 showing an increase of 11.23 per cent.

Perhaps one of the most welcome signs in the movement as a whole has been the evidence of greater awareness of the importance of maintaining adequate liquid funds. You are well aware of your Board's policy on liquidity, and our ratio of 15.31 per cent is reasonably adequate.

Our two major preoccupations during the year have been the changes in interest rates and the fall in the market price of Government Securities and we considered it desirable to write down the book value of our securities below market value, the result of our action being that the published reserves at £11,864,712 show a reduction of £94,461.

The interest rates paid to investors and also those charged to borrowers have moved upwards following the higher level of interest rates stemming from increases in the bank rate.

We have at all times endeavoured to operate within our resources and provide a continuity of mortgage service. 95 per cent of the advances of £48,650,298 were granted to finance home purchase.

84.42 per cent of the assets of £264,485,160 are in mortgage loans, 15.31 per cent in liquid funds and .27 per cent represents office premises. Mortgage assets have increased by £21,779,552, and our borrowers continue to meet their contractual obligations with commendable regularity. Our policy of cultivating the small investor continues unaltered, our average investment being £470 as compared with £448 last year.

One would be justified in drawing the conclusion that the figures suggest an abounding prosperity in the country's economy; that this is not so is due to the fact that we disclose our position in pounds sterling, a measure of value which has in recent years shown a persistent depreciation. Continuing inflation is a great disappointment to thrifty people, and it speaks volumes for their sacrifice and loyalty that they continue through the various savings movements to support the state almost to their own economic disadvantage.

To counteract inflation is the primary need in the state today, and requires a more resolute lead from the Government, although during the year there have been welcome signs that a realistic determination to avoid recurring crises is being taken.

May I again thank our members and depositors for their continued support. Confidence is the basic essential for the success of any financial undertaking, and the record receipts in the share and deposit departments of £63,715,648, the opening of 82,061 new accounts and the conducting for the first time in our history of over 300,000 mortgages in total are conclusive proof of the popularity and need of our services.

LEWIS'S INVESTMENT TRUST

RETENTION OF PROFITS—IMPORTANT FEATURE OF ESTABLISHED POLICY

EFFECTS OF RATING REVALUATION

MR S. H. LEAKE ON PURCHASE TAX AND RETAIL PRICES

The Twenty-seventh Annual General Meeting of Lewis's Investment Trust Limited will be held on April 18th in Liverpool.

The following are extracts from the statement of the Chairman, Mr S. H. Leake, OBE, to be delivered at the meeting and which, for the convenience of stockholders, has been circulated with the report and accounts:

I am proud to take the chair at this annual meeting in the year in which we celebrate the centenary of Lewis's Limited.

Although the profits have not increased as much as in recent years, they represent a high-water mark in the history of the business.

The revenue of the group as shown in the consolidated profit and loss account reached £5,027,926, thus exceeding the £5 million mark for the first time. After taxation, the net profit attributable to the group is £1,889,109. If the recommendations regarding dividends are accepted, the total distribution will amount to £599,471. Allowing for the reduction in the standard rate of income tax, the ordinary dividend is substantially the same as last year, but on this occasion we also propose to pay a centenary bonus of 2½ per cent, less tax. It is a source of satisfaction that it has been possible to do this out of the increased earnings of the group.

RETENTION OF PROFITS

We have retained within the group a total of £1,289,638, as compared with £1,247,355. The ratio of distribution to reserve allocations, including Lewis's Bank Limited, for the last three years, is as follows:

	Distributed	Retained
1956	39.58%	60.42%
1955	34.96%	65.04%
1954	34.42%	65.58%

Although the percentage retention has fallen, the actual amount ploughed back into the business is greater than last year. It should be noted that during the year our staff received substantial wage increases, so that once again staff, stockholders and the business itself have each shared in the increased prosperity of the group.

The retention of profits is a familiar and important feature of your company's financial policy. It is reflected in the substantial liquid resources shown in the consolidated balance sheet, where the net current assets amount to £7,692,164, including stock-in-trade of £3,551,401. These resources mainly stem from the Trust's principal subsidiaries—Lewis's and Selfridges: it is, of course, in these two groups where capital expenditure will be mainly incurred in the coming years.

CAPITAL COMMITMENTS

The capital commitments are shown at £2,240,000. The major components of this

sum are some £1,560,000 for the new Bristol store and depot and £470,000 for the completion of the rebuilding of the Liverpool store. The total, though substantial, falls into perspective when related to the liquid resources already at the disposal of the group. It confirms that there may be some merit in the old-fashioned commercial precept of accumulating your money before you spend it. Thus at a time of acute monetary stringency the group is able to face this major expansion in its activities without undue financial strain. In the last resort, however, the policy to which I have referred of retaining some £1,250,000 out of profits each year can be justified only if it is established that such substantial sums are being, or will be, profitably employed. The following table shows total earnings expressed as a percentage of the total capital employed over the last five years. These figures are the more significant as the purpose of much of this expenditure is to promote future earning capacity, probably many years ahead, and accordingly such capital cannot be expected yet to make any contribution to current earnings.

	Capital Employed	Profit as Percentage of Capital Employed
1952 ...	£22,755,347	15.28%
1953 ...	£24,531,674	16.11%
1954 ...	£25,510,214	16.36%
1955 ...	£26,775,503	16.36%
1956 ...	£26,889,965	17.28%

TRADING EXPERIENCE DURING PAST YEAR

What has been our trading experience during the past year?

On the whole it has been an unsettling year. The bewildering alternations between boom and crisis in the national fortunes make it difficult for both trader and customer to plan far ahead. Above all, it is not merely the steps which are taken to curb inflation but even the rumours of possible action that have disturbing effects on trade, not always in the direction either intended or foreseen. For example, the announcement in the Autumn Budget that purchase tax rates would be increased led to such an up-surge in public spending that turnover in October almost reached the peak levels associated with Christmas trade. As a background to these unsettling trade conditions there has been a constant rise in the costs of doing business, and of these wages account for by far the major proportion.

This raises issues of much wider significance. I have already referred to our increased wage bill during 1955 and during the current year still higher rates will operate. I cannot stress too strongly the importance of dealing decisively with the price-wage spiral of which we as distributors are so acutely conscious. On the whole the price levels of our merchandise, excluding purchase tax, have risen little, if at all, during

the past year, but in my view it is not merely a question of stabilising retail prices but of launching an aggressive attack to reduce them. People want to have access to plenty and to variety in goods. In articles which are essential to a reasonable standard of living, particularly to those starting a new home, reductions in price should be sought by a closer search for the means of reducing costs of both manufacture and distribution. The impetus to such reductions could come if the Government were to recognise that its entry into the channel of distribution through purchase tax makes them a party to some of the inflation which results in retail prices today being more than three times their prewar level. It is our experience that unless a very high rate of tax is imposed, purchase tax has not reduced spending on the goods which are taxed if people want those goods; rather it has increased the Index of Retail Prices, which is an accepted yard-stick in wage negotiations. We recognise that purchase tax is likely to remain a permanent and principal form of taxation on consumer goods. Its yield is formidable. Prior to the Autumn budget it was expected to reach £400 million: that budget was estimated to produce a further £75 million in a full year. It is, however, our experience that frequent changes in rates of tax, uncertainty as to when and what changes may be made, including a disregard of the seasonal experience of retailers, and a high rate of tax on articles in everyday use, together introduce a risk element into distribution, which is being paid for by the consumer. There is, indeed, a case for investigating afresh the ramifications and effects of purchase tax upon retail prices in the light of present-day conditions.

In our own group of department stores the yearly transactions are over 120 million. It is therefore with some knowledge of the habits and reactions of people to goods that I express a belief in the overriding importance of bringing down retail prices and of so dealing with purchase tax that an economic climate can be created in which we and other large distributors can perform our real function. That function is to increase trade, not by having to sell at ever higher prices, but by reducing them. The only real answer to wage demands is to raise the real value of money, and we look forward to the time when we as large distributors can resume the contribution to that end which we have made during a hundred years of trading.

RATING VALUATION

As no review of assessments has taken place since 1934, it was inevitable that substantial increases would occur. This proved to be the case, and the total rateable value of the properties of the group has been increased by 95 per cent. What increased charge will fall on the current year's profits under the heading of rates will, of course, depend on the rate per £, which local authorities ulti-

mately fix. On the general issue I wish to make two points. First, it is clear that under the revaluation a wholly disproportionate share of the rating burden will fall on office buildings and shops, which will increase the costs of distribution. This is a situation which should not be allowed to continue indefinitely and must be made the subject of Government action. Secondly, I strongly deprecate the tendency of some local authorities almost to exploit the higher assessments to obtain a level of revenue so much greater than what appeared adequate last year. It is a matter calling for the closest local supervision by all traders affected, in view of a danger which, if not checked, may well prove a serious handicap to the commerce of the country.

SELFRIDGES

Selfridges Limited have again had a successful year, both turnover and profit achieving new records. The trading profit before tax but after depreciation was £1,111,680, thus for the first time exceeding £1 million; while net profit, after tax, was £510,765. In view of the finance which will be required for the considerable developments which lie ahead, the dividend to Selfridge (Holdings) Limited was kept at the same level as last year, and the profits retained have raised the general reserve to £1½ million and increased the carry forward to £370,638. The consolidated balance sheet of Selfridge (Holdings) Limited now shows net current assets of £2,030,159, of which £1,551,780 is in the form of Treasury bills, tax reserve certificates and cash, as compared with £1,004,011 last year. In view of the improvement in the liquid position the dividend paid by the Holdings Company to the Trust was slightly raised to 30 per cent, and at this level the Trust now enjoys a dividend yield of about 9 per cent on the initial investment made in the Selfridge Group less than five years ago.

Major developments have also occurred in connection with the Northern Site behind the main store building. The transaction for the sale of the land fronting Wigmore Street was satisfactorily concluded on January 1, 1956, and the liquid position as shown by the consolidated balance sheet has been greatly strengthened in consequence.

We are on the threshold of developing the remainder of this exceptionally valuable site which, with one small exception, is now wholly freehold. The detailed plans now await the final approval of the London County Council. They embody an extension of the ground floor northwards, which should add a third to its effective shopping area, as well as providing for the reception, handling and despatch of all goods vehicles in the basement beneath and for the parking of 750 cars above. This development in the first instance will be spread over at least four years, and, unless anything untoward occurs, it is hoped to finance it out of the group's own resources.

In setting our hand to an extensive programme of expansion of Selfridges we have every confidence that it will increase the profit earning capacity of an already profitable investment.

BUILDING DEVELOPMENTS

The construction of our Bristol store proceeds apace and the building is now beginning to take shape. We hope to be able to adhere to our original intention of opening the store in the autumn of 1957.

In Liverpool we have had a full year's trading in the reconstructed unit consisting of two sections of the new store. The third section of the building has now been demolished, and the current year will see the new construction taking shape.

In Leicester the building extensions are practically complete, and certain of the space has already been taken over. Further selling space will be available in the course of the next few months.

In Manchester and in Leeds some progress has been made with the plans for our contemplated extensions, but constructional work has not yet commenced.

HISTORY OF LEWIS'S

As part of our centenary celebrations we hope to publish during the year a history of Lewis's. This has been written by Professor Asa Briggs, of Leeds University, and we hope it will make a contribution to the history of retailing in this country—a field which has so far been neglected by economic historians. In this work the development of Lewis's as a business with its continuing policies has been described against a background of the economic and social history of the period, with all its dramatic impact on people.

STAFF

I am happy to report that our staff relations continue to be cordial. We have been pleased to improve both pay and working conditions, and have also granted additional holidays. We attach special importance to maintaining a high standard of recruitment, and in the improvements we have made in our wage structure particular attention was paid to the level of our junior rates in order to attract the best type of applicant to our service.

THE EARL OF WOOLTON

As stated in the directors' report, your board invited the Earl of Woolton to become the first honorary president of the company upon his resignation as a Minister of the Crown, and we are gratified that he accepted this appointment.

We have thus been able to recognise the exceptional services which the Earl of Woolton rendered to the group over many years, particularly through the formation and development of the Trust.

TRADING PROSPECTS

In conclusion, you may wish me to give you some indication of trading prospects for the current year. Hire purchase and credit sales play so small a part in the activities of the group that our turnover is not likely to be much affected on that score by the present restrictions. Our strong liquid position will enable us to take full advantage of such buying opportunities as may present themselves. If these should enable us to make some impression on the level of retail prices, they will indeed be welcome. On the other hand, it would be unwise not to anticipate some repercussions on our trade from the present credit squeeze, particularly if it is maintained throughout the year; and we shall certainly have to deal with a still higher level of expenses. You may, however, be assured that we shall not lightly abandon the ground we have won in recent years, and no effort will be spared by our enterprising and virile management to overcome whatever difficulties the future may hold in store.

HADFIELDS LIMITED

RESULTS EXCEED FORECAST

REVIEW OF MAJOR DEVELOPMENTS

The sixty-eighth annual general meeting of Hadfields Limited was held on April 4th at East Hecla Works, Sheffield, Lord Dudley G. Gordon, DSO, LLD, MIMechE (the chairman), presiding.

The following is an extract from his circulated statement:

Not long after the return of Hadfields Limited to private ownership in July your Directors became aware that a bid was being made to secure control of Millspaugh Limited. It was felt that to allow this former subsidiary to pass into foreign control would be very prejudicial to all interests.

Your Directors therefore decided to make an offer to the Millspaugh Ordinary Stockholders to exchange their holding for shares in Hadfields Limited and to make use of the unissued shares for this purpose. The Board's efforts have been justified by their success and Millspaugh with its Subsidiaries is now part of the Hadfields Group of Companies.

The Consolidated Profit and Loss Account shows the profit for the year, subject to taxation, to be £826,663. This exceeds the estimate made in the "Offer for Sale" and is due in the main to the high level of sales in the last three months of the financial year. Of the profits available no less than £483,529 has had to be provided for taxation. The net available surplus for the year is £398,838. The dividend recommended is at the same rate as that forecast in the "Offer for Sale."

During the year under review the output of liquid steel exceeded that of the previous year, though it did not quite attain the record made during 1953. In spite of this the output from both the 28-inch mill and the bar mills exceeded any previously recorded figure.

The forging departments were fully occupied during the year and there was a substantial increase in output.

We have been successful in again extending sales of fully-hardened forged steelwork rolls, and our forged composite back-up rolls have continued to make headway both at home and abroad.

Other new lines being successfully developed include supplies for the paper-making industries.

The total value of commercial orders obtained from home and overseas customers was over 40 per cent higher than the previous year and export orders nearly 57 per cent higher.

The inflow of orders since the beginning of the current financial year is such that it is expected there will be no lack of work for any department.

COLLABORATION WITH WALMSLEYS

Arrangements which have been made for collaboration with Walmsleys Limited are confidently expected to result in most important developments which will enable the Hadfields Group of Companies to play an important part in providing the paper-making industry in this country and overseas with the most efficient machinery to meet the ever-growing demand for paper and board which is likely to continue for many years to come.

The report and accounts were adopted and the Ordinary dividend of 7½ per cent was approved.

THE BRITISH SOUTH AFRICA COMPANY

SUBSTANTIAL CONTRIBUTION TOWARDS RHODESIAN HYDRO-ELECTRIC SCHEME

MR C. HELY-HUTCHINSON ON VALUATION OF COPPER FOR ROYALTY

The fifty-eighth annual meeting of The British South Africa Company was held on March 22nd at The Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2, Mr C. Hely-Hutchinson (the President) presiding.

The President, having paid tribute to the late Sir Dougal Malcolm, and having referred to the revival of the office of Vice-President, continued:

The Mineral Revenue for the year, as you will see in the Profit and Loss Account, amounted to £10 million after providing for the share of 20 per cent thereof which is payable to the Northern Rhodesian Government in accordance with the 1950 Agreement. 96 per cent of this was from copper, of which 340,000 tons were produced, and were valued for royalty purposes at an average of £289 per ton, which compared with 370,000 tons at an average value of £210 per ton for the previous year.

FUTURE MINERAL REVENUE

Copper is currently being produced in Northern Rhodesia at the rate of 32,000 tons a month, which is at an annual rate of 384,000 tons, subject, of course, to the effect of any strikes or coal shortages which may occur.

The value per ton for royalty purposes is, at present, over £380, though it may be unwise to base calculations too long ahead upon a continuity of that value.

In addition the Chibuluma Mine should soon be producing copper at an annual rate of 16,000 tons, and as from the beginning of 1957 Bancroft Mines should be producing copper at an annual rate of nearly 45,000 tons, which they plan to double in 1960.

Upon such figures as these may be based a variety of different calculations of future revenue—more or less rosy in proportion to the views of the calculator. The less optimistic may like to be reminded that a reliable observer has as recently as in November last year recorded that in the view of the copper industry collectively the price of Electrolytic Copper is not likely to fall much below £240 a ton in the foreseeable future. On the basis of an annual production rate of only 400,000 tons, at that price, the Company's net annual income from all sources, after tax, calculated at current rates, is not likely to be far short of £4 million.

These are comforting thoughts, but there is a matter bearing upon them of which you should be made aware.

VALUATION OF COPPER FOR ROYALTY

When last year the Rhodesian Selection Trust announced its policy of selling copper at fixed prices, we published a statement in July which recorded that: "the basis on which the Company's royalty on copper should be calculated in the future has for some time been—and still is—under discussion between The British South Africa Company and the RST Group."

Those discussions both with the Rhodesian Selection Trust and our Lawyers continued thereafter, and meanwhile the Copper Companies continued to pay royalty upon the copper produced by them on an agreed provisional valuation basis. At the end of the year, no agreement with the Rhodesian Selection Trust having by then been reached, and having in the meanwhile been finally advised by our Lawyers as to our contractual rights, we unilaterally fixed a new basis of valuation and required the Copper Companies to adjust accordingly the royalties which had already been paid on the agreed provisional valuation basis and to pay royalty in future upon the new valuation basis so fixed.

I might here explain that we had to take into account the change which the London Metal Exchange has made in the basis of its quotations for copper. Before the war the London Metal Exchange quotation was for a ton of rough copper, and that had been adopted in our contracts with the Copper Companies as the basis for valuing copper for royalty. The London Metal Exchange closed down in 1939 and temporary arrangements for valuation were made. When the London Metal Exchange resumed business in 1953, and we sought to return to the use of its quotations, we had to make provision for the fact that its quotation was then for a ton of Electrolytic Copper—a more valuable product than Rough Copper. Our contracts with the Copper Companies gave us the right in certain events to substitute similar standards of valuation to those prescribed in them, and we had to settle what, under those circumstances was a similar standard of valuation. Apart from that, the Rhodesian Selection Trust had taken the view that the London Metal Exchange quotation ought not to be the sole basis for valuing copper for royalty.

Since we thus fixed unilaterally the new basis of valuation all the Copper Companies have conformed to our requirements as to the payment of the royalties calculated in accordance therewith. The Companies under the direction of the Rhodesian Selection Trust have reserved a right to challenge the correctness of that basis, but without any consequential right to readjust retrospectively any payments which it may have made or may make in accordance therewith. The Companies under the direction of Rhodesian Anglo American have not challenged the correctness of that basis, but have reserved the right to claim the benefit of any different basis of valuation which we may hereafter apply to the Rhodesian Selection Trust Companies. This, of course, is reasonable enough.

The revenue from investments amounted to £1,800,000; three-quarters of that total derived from Rhodesian Mining Investments.

At the date of the Balance Sheet there was a net surplus of Assets of £1 million, but there were commitments of various sorts amounting in all to over £5 million. These include provision for the important commitments which, as reported to you at the last Annual Meeting, we have undertaken in

respect of the finance of Bancroft Mines.

Moreover, since the close of the financial year, we have undertaken, as was foreshadowed in principle when we last met, and as was reported in the Press a month ago, to lend to the Government of the Federation of Rhodesia and Nyasaland over the next four or five years a total of £4 million towards the moneys—now estimated at £79 million, as compared with the estimate of £54 million a year ago—required to carry out the first stage of the Hydro-Electric Installation at the Kariba Gorge. The loan is to earn interest on the same terms, whatever they may be, as may be required by the International Bank in respect of such moneys as it may find for the same purpose.

We have no doubt that this substantial contribution towards the finance of this important undertaking is fully justified, not only because, as a source of power, it will greatly benefit the Northern Rhodesian copper-producing industry, with whom our own fortunes are so closely identified, but because we have an inescapable obligation to play our part in the development of the territories from which we draw the greater part of our large revenues. That same obligation may well involve us in other similar commitments in future years.

We thus had commitments totalling some £8 million in excess of the net cash resources. Their chronological incidence is such that we have no reason to doubt, on any reasonable forecast of our future profits, that we shall be able to meet them as they mature and at the same time to maintain the dividend at the annual rate recommended to you today.

The report and accounts were unanimously adopted, and the dividend of 30 per cent for the year was approved.

SCOTTISH MUTUAL ASSURANCE SOCIETY

SATISFACTORY RESULTS OF TRIENNium

The seventy-third annual general meeting of The Scottish Mutual Assurance Society was held on March 28th in Glasgow.

Sir John Craig, CBE, DL, JP, LLD (the Chairman), in the course of his speech, said: The past year has been one of continued expansion. Again a record amount of new business was transacted, the increase over the previous year being no less than 22 per cent.

It was decided to hold investigations triennially commencing December 31st last. Throughout the triennium the mortality experienced has been more favourable to the Society than that assumed in the valuation, while the average net rate of interest has been 4 7/8 per cent, compared with 2 1/2 per cent and 3 per cent adopted in the valuation.

The result of the investigation is that in the Life Fund there is a surplus of £673,393. The Directors have declared a bonus of 44s. per cent per annum, leaving £147,125 to be carried forward. They have also decided until further notice that an intermediate bonus at the rate of 40s. per cent will be paid on claims arising by death or maturity.

Year's Accounts: The rate of interest earned on the funds has increased by 6s. per cent gross and 5s. 3d. per cent net and is now 5 1/4s. 11d. per cent gross or 4 13s. 1d. per cent net. The Society is in good heart; the funds are earning a high rate of interest, the mortality experience is good and the assets are sound. The report was adopted.

REVERTEX, LIMITED

A VERY SATISFACTORY YEAR

SALES AND PROFITS AT NEW HIGH LEVELS

MR D. H. SCOTT'S STATEMENT

The thirty-second annual general meeting of Revertex, Ltd., was held on March 15th at 31/55 Strand, London, W.C., Mr D. H. Scott, CBE, chairman and managing director, presiding.

The secretary (Mr H. K. Marsh) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year to September 30, 1955:

I am happy to be able to report that once again our Company has had a very satisfactory year. The volume of sales and the net profit have both risen to new high levels.

rate of depreciation to this plant which will have the effect of writing it off completely in ten years instead of five. For the reasons mentioned we have continued to apply the 20 per cent rate to plant, machinery and factory buildings in Malaya.

BALANCE SHEET CHANGES

In the balance sheet you will find some material changes as compared with last year. In the first place the issued share capital is now £412,500 following the issue last year of one share, credited as fully paid, for every two held. Our stock valuation at £1,261,307 is rather more than double the figure last year. This is due partly to a physical increase in stocks and partly to a substantial rise in the price of rubber. Our policy has always been to hedge our stocks of Revertex and Revultex, in so far as they are not covered by forward sales, by selling rubber forward. This is the reason for the big increase in the item "forward sales of rubber" and the corresponding item of the same amount on the other side of the balance sheet "liability in respect of rubber sold forward." We hedge in order to reduce as far as possible the risk arising from fluctuation in the price of rubber, but in these days when there is a persistent backwardation, i.e. when the forward positions are at a discount compared with spot, this hedging can only be done at some cost.

Included in the profit on trading is the sum of £10,589 received during the year in final settlement of our claim for war damage in Malaya.

DIVIDEND AND PROSPECTS

The Directors recommend the payment of a final dividend of 15 per cent, less tax, making with the interim dividend of 10 per cent, less tax, paid last November, a total of 25 per cent, less tax, for the year. The total dividend of 25 per cent, less tax, on the increased capital will absorb the sum of £59,297 net, and after allowing for the £137,500 capitalised last year, unappropriated profits will be increased by £37,210 to £389,887. In addition, continuing the policy of bringing the issued capital gradually into line with the real capital employed in the business the Directors propose to issue to the present shareholders 165,000 new Ordinary Shares of 5s. each, credited as fully paid, in the proportion of one new share for every ten shares held. This will involve the capitalisation of £41,250 of the unappropriated profits of £389,887.

Our business continues to expand, but competition is keen and the margin of profit is less than it was last year, with the result that, for the first quarter of our current year, although our turnover has increased, the net profit is about the same as the corresponding quarter of the previous year.

TRIBUTE TO STAFF AND EMPLOYEES

In conclusion I know you would like me to express your appreciation of the good work done by all our staff and employees. It is difficult to avoid rather stereotyped phraseology each year, but I hope to make

PRODUCTION AND SALES

Sales of Emultex (polyvinyl acetate emulsion) have shown a satisfactory increase and we are steadily developing new uses for this material. Our second factory at Harlow, to which I referred in my speech last year, was completed in the spring. By a fortunate coincidence in timing, we were able to make a large part of it available for the Harlow Industrial Exhibition before we moved in ourselves. This exhibition was opened by Sir Frank Lee, of the Board of Trade, and proved a great success. Many of the visitors were surprised at the wide variety of products which are now made in Harlow and our own stand was generally admitted to be one of the best.

The development of Alcotex (polyvinyl alcohol) has proceeded steadily, and I am glad to say that this product is now making a small contribution to our trading profit. Work will shortly be started on a third factory unit at Harlow to house new plant for its manufacture, which should enable us to increase output very considerably. Sales of Revertex and Revultex were maintained in spite of the substantial increase in the price of rubber.

The area of Central Johore, in which we are mainly interested, is still unsettled. Our staff has worked extremely well under these difficult conditions and I am glad to say that the output of our plants has not been appreciably affected.

ACCOUNTS

For the year under review the profit before tax amounted to £467,007 as compared with £438,577 for the previous year and £302,493 for the year before that. The net profit, after making full provision for taxation, was £234,007 as compared with £190,077 and £101,993 for the two preceding years.

On the advice of our Auditors we have revised the rates of depreciation. Until now depreciation has been charged at the rate of 20 per cent per annum on the original cost of plant and machinery acquired since the war and in view of the disturbed conditions in Malaya the same rate has also been applied to factory buildings in that country.

It has become clear, however, that much of the plant which has been installed in our factory at Harlow will have a longer life than five years. In the accounts under review we have, therefore, applied a reduced

it clear that your thanks are none the less sincere.

The report and accounts were unanimously adopted; the proposed dividend was approved; the retiring director, Mr H. K. Marsh, was re-elected; the directors were authorised to fix the remuneration of the auditors, Messrs Deloitte, Plender, Griffiths & Company and the proposed capitalisation of reserves was approved by the shareholders subject to the consent of HM Treasury.

JOHN HOLT & COMPANY (LIVERPOOL) LIMITED

RECORD TURNOVER—REDUCED PROFIT MARGINS

The fifty-ninth Annual General Meeting of John Holt & Co. (Liverpool) Limited will be held on April 20, 1956, in Liverpool.

The following is an extract from the circulated Statement of the Chairman, Mr John A. Holt:

The year ended August 31, 1955, was disappointing. Intense competition and over-importation of consumer merchandise in most parts of West Africa resulted in our merchandise profit margins being cut to the bone, and the usual valuable contribution to our revenue from our produce activities was transposed into a substantial loss by a sharp and unforeseen fall in the market prices of cocoa and coffee.

Our total turnover in merchandise and produce amounted last year to £274m, which is another record. We do not seek an increase of turnover for its own sake, and would have been satisfied with a lower figure if we could have shown some improvement in profit margins.

The year in general has been one of falling prices for agricultural produce. We continue to buy, as agents, those types of produce whose export from Nigeria and the Gold Coast is controlled by the Marketing Boards. The sale of well over half the world's crop of cocoa is in the hands of the Boards and the Brazilian Government. My own view is that the more operators there are in the commodity market, the less violent and painful are the fluctuations in price. Within two years, the price of cocoa has fluctuated from over £500 per ton to under £200 per ton. I suggest that to have allowed the price to rise to this astronomical figure carried the seeds of its own decay by stimulating consumer resistance.

The movement towards self-government in the Regions of Nigeria and the Gold Coast continues. Many of us have had the opportunity of meeting some of the best-known West African leaders, and have been impressed by their recognition of practical difficulties and their sincerity of purpose.

Slow turn-rounds and increased volume of traffic made it necessary for The Guinea Gulf Line Ltd. to charter tonnage at high rates to meet their requirements, and this resulted in a heavy drain on The Line's earnings. However, current earnings are at a higher level and the outlook for 1956 is brighter.

In 1954, I concluded by saying: "It behoves us, therefore, to prepare for the lean years." The experiences of the last two years have shown that that warning was justified, but I feel there are grounds this year, for looking forward with cautious optimism, for the results of the current financial year so far are significantly better than they were twelve months ago.

THE BRADFORD DYERS' ASSOCIATION LIMITED

SATISFACTORY TRADING

MR JAMES EWING'S REVIEW

The fifty-eighth annual general meeting of The Bradford Dyers' Association, Limited was held on April 9th at Bradford.

Mr James Ewing (the Chairman), in the course of his speech, said:

Overseas Interests: With the exception of our Canadian subsidiary, our overseas enterprises have continued to make a satisfactory contribution to our profits. The combined trading results of these companies represent a very substantial proportion of the total profits of the Association.

UNITED KINGDOM

A year ago I referred to the successful outcome of our efforts to piece-dye cloths composed of Wool and Terylene blends, and that work has now been consolidated by experience in bulk. This does not signify the end of research into Wool/Terylene dyeing problems, but implies that bulk yardage can now be handled satisfactorily.

Several other new blends, such as Triacetate and Wool, Orlon and Wool and Acrilan and Wool, are also occupying our attention, and our constant liaison with USA developments will help us more readily to solve the piece dyeing problems which are still ahead.

We are not apprehensive that woollen and worsted fabrics are likely to be supplanted by man-made fibres, particularly for the home market; but we see increasing opportunities of extending the demand for mixture fabrics, which are as yet but a small proportion of the market for woollen and worsted cloths, and if those trends combine the old fibres and the new, then the dyer must be ready to meet this demand.

The Lancashire textile industry has been very much in the press during the past year. It is recognised in the industry that no more can be expected from the Government, whether in the home or export markets, than opportunity to trade—no more, but surely not less. We have to contend not only with competition from countries with lower living standards but with countries with harsh tariff regulations.

Despite lack of support from the Government, I believe that the industry can do much to put its own affairs in order. It is obvious that there is too much plant too lightly employed in meeting the present demands. I suggest that with the assistance of the Cotton Board a budget should be prepared for each horizontal section of the Industry, showing the plant required to produce, when fully employed on multiple shift working where practicable, the estimated volume based on realistic calculations of demands for both home and export markets.

In the Finishing Section of the Industry, the major combines have dealt with their own redundancy problem from their own resources. But more must still be done. The Industry must face, at least, double shift working in all its producing units.

Your Company has spent nearly £3 million during the past six years in maintaining the production units of the home branches in the highest possible state of efficiency. The charge, so often levelled against the textile

industry, of not keeping pace with modern needs, cannot be levelled against the leading companies in the Finishing Section.

CONTROL OF COMPETITION

Much is heard today about the abuse of monopolies. It seems to me that term has lost its significance. In private industry there are few monopolies, and having regard to the large number of producers in our own industry there is no opportunity for any one firm, even the large combines, to manipulate a market to the detriment of the consumer. This applies particularly in the export sections of the trade.

To reassure the public, the Restrictive Trade Practices Bill is timely, and the President of the Board of Trade has shown great courage in launching the Bill, which I hope in its final form will be fair to all sections of the community—the producer and the customer. The need for co-operative effort amongst producers has become more and more necessary in our complex industrial society, and it would be a calamity of the first order if the final form of the Bill put the clock back and left us in a state of chaos.

LABOUR AND PRODUCTION

In general our workpeople have been fully employed during the past year and our normal happy relations with them have continued. Changes in methods, necessitated by the development of new fibres, fabrics and machinery, have been adopted with remarkable smoothness, and the responsible attitude of the Trade Union to which we have been long accustomed is invaluable in these days when it is essential that both workpeople and management should be receptive to new ideas and new methods.

Works Councils at our Branches are democratically elected from all grades of employees, and they are of great service in joint consultation and in providing for the ventilation and consideration of many matters which, if left unheeded, might grow into causes of discord. The Branch Accident Prevention Committees also are to be congratulated in that their sustained efforts over a long period of time are achieving a continuing reduction in the number of accidents.

There is need in industry generally for the closest possible co-operation between management and workpeople, and for the settlement of disputes, particularly those affecting wage rates, without recourse either to strike action or to arbitration. Figures published in the *Ministry of Labour Gazette* show that, during 1955, 3,794,000 working days were lost in industrial disputes. The loss of production attributable to these stoppages was enormous.

Possibly the most effective single action that could be taken today to improve production in the United Kingdom would be the removal of conscription, for its adverse effect on production is immeasurable. Industry cannot afford to lose for two years young men at the highly receptive age of 18 years.

It would be rash on my part to attempt to indicate the results of our trading during the current year. All I will say is that your

company, as a result of the forward policy of the past decade, is well equipped both at home and abroad to meet competition and to give to its customers the latest and best finishes known to the industry. We can, therefore, look forward with confidence to the future, and I hope, if it is my privilege to address you next year, to place before you results no less favourable. Some progress has already been made in the employment of our substantial liquid resources by diversifying our interests in fields outside textiles, and this diversification will be extended as opportunities present themselves. Our latest interest is in the field of non-woven fabrics and a detailed announcement will be made later.

The report and accounts were adopted

THE CHARTERED BANK OF INDIA, AUSTRALIA & CHINA

THE ONE HUNDRED AND SECOND ANNUAL GENERAL MEETING

The One Hundred and Second Annual General Meeting of The Chartered Bank of India, Australia & China was held on April 4th at the Bank's Head Office, 38, Bishopsgate, London, E.C.2.

The Chairman of the Bank, Mr V. A. Grantham, presided.

Mr H. F. Morford, Chief General Manager, read the notice convening the meeting and the report of the Auditors. With the consent of the stockholders present, the Report and Accounts, which had been circulated previously, were taken as read.

The Chairman then moved that the Report and Accounts for the year 1955 be approved and that a final dividend of 7½ per cent, less Income Tax, be declared; this, together with the interim dividend of 7½ per cent already paid, made a total distribution for 1955 of 15 per cent. The resolution was seconded by Sir John Tait and carried unanimously.

Sir Kenneth Brand Harper and Sir Charles Watt Miles, OBE, were elected Directors of the Bank and the retiring Directors, Sir Paul Benthall, KBE, Sir John Tait and Sir Henry Richardson were re-elected.

Messrs Deloitte, Plender, Griffiths & Company and Messrs W. A. Browne & Co. were re-appointed Auditors and their remuneration fixed.

A vote of thanks to the Directors, General Managers, Branch Managers and the Staff at home and abroad for their successful conduct of the affairs of the Bank was proposed by Mr Joseph Nissim and seconded by Mr Arnold Jones.

EXTRAORDINARY GENERAL MEETING

Following the Annual General Meeting an Extraordinary General Meeting of the Bank was held for the purpose of seeking the approval of the Stockholders to the Court of Directors' petition for the grant of a new and consolidating Royal Charter and to the adoption of new Bye-laws and Rules.

After Mr H. F. Morford, the Chief General Manager, had read the notice convening the meeting, the Chairman proposed "That the Royal Charter in the form of the draft presented to Her Majesty in Council (a print whereof is submitted to this meeting and subscribed by the Chairman thereof for the purpose of identification) be and the same is hereby adopted as the Royal Charter of the Bank subject to such modifications and amendments as the Court of Directors may agree with Her Majesty's

Privy Council, and that such Royal Charter shall take effect as from the date when Her Majesty shall be graciously pleased to assent to the issuance of Letters Patent granting the same."

The resolution was seconded by Sir John Tait and carried unanimously.

The Chairman then moved:—

"That, pursuant to the powers conferred upon the Bank by the Royal Charter referred to in Resolution No. 1, the Regulations entitled 'Bye-laws and Rules,' in the form of the print submitted to this Meeting and subscribed by the Chairman thereof for the purpose of identification be and the same are hereby adopted concurrently with the provisions of the new Royal Charter as the Bye-laws and Rules of the Bank, in substitution for and to the entire exclusion of the provisions of the Deed of Settlement dated the 6th May, 1930, and the regulations therein contained as from time to time amended by Special Resolutions of the Bank."

The Resolution was seconded by Sir John Tait and carried unanimously.

TWINING CROSFIELD & COMPANY

EFFECTS OF PRICE FLUCTUATIONS

The thirty-ninth annual general meeting of Twining Crosfield & Company Limited was held on March 28th in London, Mr H. W. Backhouse (Chairman) presiding.

The following are extracts from his circulated statement:

On November 1, 1955, we acquired two new Subsidiaries for £187,250. The new Subsidiaries' profits for the two months to December 31, 1955, have been included in the consolidated accounts. The additional earning capacity which the new acquisitions give us will prove to be of considerable value to the group.

Tea distributors will remember 1955 as an exceptionally difficult year. Owing to the unprecedented break in the market which began at the end of January we had to face very heavy stock losses. Coffee price variations also made 1955 an uncertain period for distributors.

To a very reduced profit of £46,847 for 14 months against £95,746 for 12 months last year we have added £22,064 representing tax recoverable, stock reserve and part of our investment reserve no longer required. Since all our losses of last year have been provided for and we are now trading satisfactorily we feel justified in recommending a final dividend on the Ordinary Shares of 12 per cent less tax, making 16 per cent for the period against 18 per cent for 12 months ending October 31, 1954. After provision for taxation, the Carry Forward is £107,744 against £106,431.

The new year has started reasonably well but we can be quite sure that competition will continue to make it as difficult as is normal. Heavy advertising by our biggest competitors seems to be causing a growing proportion of the tea trade in England and Wales to drift towards advertised brands. We propose in the course of the year to start advertising our teas.

TWININGS is a name that has always been associated with "good" tea which is not quite the same as "cheap" tea. There is still a steady demand for "good" tea with flavour and character which is not surprising as the extra cost per cup is virtually negligible.

The report was adopted.

THE PATALING RUBBER ESTATES, LIMITED

SIR ERIC MILLER'S ANNUAL ADDRESS TO SHAREHOLDERS

The thirty-sixth annual general meeting of The Pataling Rubber Estates, Limited, was held on April 4th at the Registered Office of the company, 1-4 Great Tower Street, London, E.C.

Sir Eric Miller, chairman of the company, in the course of his address, said: Our crop of 9,635,200 lb was 833,900 lb higher than that for the previous year; an increase mainly attributed to cropping in post-war plantings. The average yield rose by about 70 lb per acre tapped. Including a proportion of sole crepe and lower grades the crop realised approximately 31d. per lb London landed terms—about 7½d. per lb more than that obtained for our 1953-4 harvest. On the other hand, the all-in cost of production was higher by about 3½d. per lb due to increased export duty and cess.

WORKING PROFIT

Our profit before taxation, but after charging export duty and cess, was £461,130 against £371,845 in the previous year. Export duty and cess at £218,648 took £139,730 more than in 1953-4, and the 1954-5 profit included only £32,796 in respect of replanting cess refunds, whereas in 1953-4 similar refunds amounted to £121,521. Taxation in Malaya and the United Kingdom on the year's profit absorbs £213,475 against £135,936 in the previous year when we had the benefit of a taxation refund of £40,445. We have transferred £18,780 to capital general reserve and £85,855, representing the year's expenditure on replanting, to cultivation and replacement reserve; the two interim dividends paid, together making 35 per cent for the year, absorbed £149,607, and the amount carried forward to next year will be £161,581 against £159,661 brought in.

REPLANTING

Our programme of rejuvenation was further advanced during 1955 by replanting 1,086 acres and new-planting 83 acres. Over the three years 1956-8 some 3,800 acres are scheduled for replanting or new-planting.

TIN MINING

I told you last year that we had been approached with a view to agreeing terms which might lead to part of Bikam estate being sold or sub-leased for dredging to a well-established tin company. After some delay in negotiations an agreement was reached on October 26, 1955, with Southern Tronoh Tin Dredging, Limited, giving them prospecting rights for tin mining over the estate with an option to purchase outright at an agreed figure such area as they may select for dredging. Prospecting operations started in December, but on January 25th, Mr Roderick Gordon, the tin company's prospecting engineer, was ambushed and killed by terrorists. This most regrettable outrage has made it necessary for the tin company to suspend temporarily its prospecting operations.

We are also negotiating with a Chinese miner who wishes to prospect Sultan Ydris

division of Chumor estate (comprising 300 acres) on the understanding that the whole division would be purchased by him at an equitable price if the tin content should be found to be an economic proposition.

STAFF

We are fortunate in our staff, both European and Asian. Your properties are their first care, and their keen interest and loyalty, in some cases under trying conditions, merit your best thanks.

POLITICAL DEVELOPMENTS IN MALAYA

The recent constitutional conference held in London has assured Malaya of self-government within the Commonwealth by August 31, 1957, and we must all hope that the friendly attitude adopted by both sides in these difficult negotiations will bring the lasting response which is desired by all those who have the future well-being of Malaya at heart. The agents of disruption are busy everywhere in the free world, and the best antidote to their activities is to be found where sound economic conditions prevail, affording regular work at fair wages, under a firm and just government determined to maintain law and order. We have faith in the future of Malaya and of the natural rubber industry there, and deprecate very strongly any suggestion that we should curtail our activities because of the impending political changes. On the contrary, in my considered opinion, there never was a time when people like ourselves, who know Malaya well, could play a more useful part than in helping it along the road to sound self-government.

RUBBER SITUATION

The selling price of rubber and, to a lesser degree, of tin, has a very material bearing on the financial condition of the country. A year ago the London market price of No. 1 RSS was about 25d. per lb, and during succeeding months it rose to a high point in September of nearly 44d. per lb under the influence of the hectic boom in automobile production, particularly in the USA, which far outstripped earlier expectations. The pace was too hot to last, and we are now back to 26d., which is a much healthier level for competition with the synthetic products. Violent price fluctuations are not in the best interests of the industry, but human nature being what it is, they are inescapable. The changed atmosphere will, we hope, facilitate a mutually acceptable revision of the wage scale now under negotiation.

For the current year our crop should be well ahead of last year's, for during the first four months we have harvested 3,627,300 lb against 3,102,100 lb over the same period in the last financial year. Including forward sales, we have sold to date 1,508,000 lb at an average price of approximately 30½d. per lb London landed equivalent, and we also have some sole crepe booked for forward delivery at a fair premium.

The report and accounts were unanimously adopted.

BEAUMONT PROPERTY TRUST, LIMITED

LARGER DIVIDEND

The twenty-second annual general meeting of The Beaumont Property Trust, Limited, was held on March 27th in London, Mr Cyril W. Black, JP, MP, FRICS, FAI, the chairman, presiding. The following are extracts from his circulated statement:

The property revenue of the Group for the year ended September 30th last is shown as amounting to £243,370, which is approxi-

mately similar to the corresponding figure for the previous year. The profit carried down is £177,610, which compares with a figure in the previous year of £181,270.

On the other hand, income tax and profits tax amount to £100,422, showing a reduction of over £6,000 in comparison with the corresponding figures for the previous year, and, in addition, maintenance claims to 1954/55 have enabled the company to provide for a repayment of income tax amounting to £8,217. A reduction of rather less than £4,000 in the profit before tax is therefore much more than offset by a reduction in the total income tax and profits tax of over £14,000.

BERGENS PRIVATBANK

Established 1855

Head Office: BERGEN, NORWAY

Branches all over the Country

Centenary Year

BALANCE SHEET, JANUARY 1st, 1956

ASSETS		LIABILITIES	
Cash and at Bank of		Deposits at Call.....Kr.	297,030,116.62
Norway	Kr. 148,298,291.86	Deposits at Notice and at fixed Term	577,564,035.45
Treasury Bills.....	25,000,000.00	Norwegian Banks	142,045,437.06
Norwegian Banks	49,367,831.77	Foreign Banks	14,253,625.16
Foreign Banks	68,545,719.00	Acceptances	780,289.22
Bonds and Shares.....	154,454,919.28	Cheques and Collections ..	27,399,720.01
Mortgages	51,454,633.41	Foreign Exchange	
Bills Discounted.....	196,258,634.78	Accounts.....	37,888,824.04
Foreign Bills	6,682,619.84	Documentary Credits	13,322,334.80
Advances	456,654,485.30	Other Accounts.....	17,022,089.50
Documentary Credits....	13,789,353.48	Share Capital fully paid Kr. 26,000,000.00	
Bank Premises	5,076,174.20	Reserve Fund	Kr. 13,000,000.00
Other Accounts.....	13,711,470.50	Reserve for Taxes	Kr. 7,000,000.00
		Special Reserve	Kr. 9,000,000.00
		Balance carried forward ..	Kr. 6,987,661.56
			61,987,661.56
	Kr. 1,189,294,133.42		Kr. 1,189,294,133.42
		Guarantees Kr. 172,696,790.12	

Dr. Profit and Loss Account for the year ended December 31st 1955		Cr.	
General Expenses.....Kr.	17,083,071.85	Transfer from last Year...Kr.	5,840,677.61
Gratuity to Staff in connection with centenary ..	1,361,895.00	Profits on Interest, Discount, Commission and Exchange.....	36,758,801.86
Taxes	6,377,026.45	Other Accounts.....	650,175.39
Allocated to Reserve for Contingencies.....	6,900,000.00		
Net Proceeds	Kr. 5,686,983.95		
Transfer from last Year Kr. 5,840,677.61			
At dis-posal	Kr. 11,527,661.56		
Appropriated as follows:			
Transferred to—			
Special Reserve	1,000,000.00		
Reserve for Taxes.....	1,000,000.00		
Dividend 7%	1,820,000.00		
Dividend 3% in connection with centenary....	780,000.00		
Balance carried forward ..	6,927,661.56		
	Kr. 43,249,654.86		Kr. 43,249,654.86

RESERVES

The group capital and revenue reserves, including profit and loss balances, now amount to the very considerable total of £297,225. These reserves are equivalent to considerably more than 40 per cent of the Ordinary share capital of the company and, in addition, there is a large hidden reserve represented by the increased values of many of our properties over and above the book values.

A final dividend of 7 per cent, less income tax, is recommended and, if this recommendation is approved, it will bring up the total Ordinary dividend for the year to 10 per cent, less income tax, compared with 9 per cent, less income tax, in the preceding year.

Your Directors are proposing that the authorised Ordinary share capital of the company be increased from £718,750 to £800,000 by the creation of an additional 81,250 Ordinary shares of £1 each. It is thought that favourable opportunities may from time to time occur for the profitable employment of additional capital. Your Directors see no reason to doubt that the satisfactory position of the companies will be maintained. The report was adopted and the proposed increase of capital approved.

GENERAL INVESTORS AND TRUSTEES

INCREASE OF CAPITAL FORESHADOWED

The forty-ninth annual general meeting of General Investors and Trustees, Limited, was held on March 22nd at 52-54 Gracechurch Street, London, E.C.3, Mr R. G. Mills (the Chairman) presiding.

The following is an extract from his circulated statement:

The final dividend payment making 19 per cent for the year is appreciably better than the 15 per cent we estimated a year ago that we should be able to pay on the increased capital.

The Board has now in view to recommend to you a further increase in the Ordinary capital. Subject to the contingencies mentioned below the proposals are that:

- £215,622 be capitalised to enable a bonus of £1 of New Ordinary Stock to be issued free for every £4 of Stock now held, and
- Contemporaneously a similar amount be issued in the same ratio on the existing Stock as a "rights" issue at par.

It will be necessary to obtain the permission of the Capital Issues Committee and assuming this is granted, the Board is not disposed to take the subsequent steps to implement their recommendation before they are acquainted with the provisions of the forthcoming Budget.

In conclusion, so far as we can estimate, our revenue for the current financial year should not be less than for the year just ended. Provided our estimates are not upset, we would, if the capital is increased, expect to pay a total dividend of not less than 14 per cent for the coming year, of which 5 per cent would be paid as an interim dividend on October 1st.

Addressing the meeting the Chairman said that the consent of the Capital Issues Committee had now been received in connection with the Board's capitalisation proposals.

The report was adopted.

THE MERCANTILE BANK OF INDIA, LIMITED

FURTHER GENERAL BUSINESS EXPANSION

INDIA'S YEAR OF SUSTAINED PROGRESS

SIR KENNETH W. MEALING'S REVIEW

The sixty-third annual general meeting of The Mercantile Bank of India, Limited, will be held on April 17th, in London.

The following is an extract from the statement by the chairman, Sir Kenneth W. Mealing:

The expansion recorded last year in the Bank's general business continued during 1955. The Balance Sheet total is £72,065,153, against £68,594,152 on December 31, 1954. Deposits are higher by nearly £4 million, whilst on the Assets side there are increases of over £2 million in Loans and Advances, nearly £1 million in Bills Receivable, whilst the holding of Government Securities is £4½ million higher.

There has been a considerable fall in the value of our holding of Government Securities, for which full provision has been made. Of those quoted in Great Britain, 77 per cent are due to mature within the next five years, whilst the remainder mature on fixed dates beyond that period. Similarly with securities quoted on Overseas Stock Exchanges 50 per cent mature within the next five years.

The net profit at £235,423 is higher by £41,099. The two dividends declared total 14 per cent, payable on the increased capital and cost £118,335, compared with £97,020 for 1954. From the balance the usual allocations have been made to the Officers' Pension Fund, Premises Account and Contingencies Reserve Account, leaving the balance carried forward at £219,372, against £200,284.

POLITICAL AND ECONOMIC SITUATION

The year 1955 produced high hopes of a relaxation of international tension following the "summit" talks at Geneva in the month of July. These hopes, however, were shattered at the ensuing Foreign Ministers' Conference when it became clear that the Soviet bloc had no intention of permitting free elections in East Germany as a preliminary to German re-unification, nor of paying more than lip-service to the principle of international disarmament. This reversal of the Geneva atmosphere, coupled with the provocative references made by the two Russian leaders in India and Burma to "colonialism," crystallised the opinion that there is little or no prospect of a real relaxation of tension or of ending the "Cold War" until a real disarmament agreement can be brought into effect.

In England the freedom from all economic physical controls, the very full employment and increased internal consumption reflected in a higher standard of living for the majority, set up a rising spiral of wages and costs. As a result, the country was importing and consuming more than it was exporting and this economic unbalance resulted in a weakening of sterling in the world's markets. The initial remedial steps were to raise the Bank rate to 4½ per cent and to place certain restrictions on hire-purchase terms. In October an autumn Budget increased Purchase Tax on most consumer goods, whilst further steps were taken to restrict credit. It is to be hoped that these steps and those subsequently taken, including a 5½ per cent Bank rate with further restrictions on hire purchase, together with restraint by all sections of the com-

munity, will remedy the situation without necessitating the reimposition of economic physical controls, such as limitation of imports, price fixation and rationing.

In the United States of America industrial activity continued under boom conditions.

INDIA

1955 was a year of steady and satisfactory progress for India. Agricultural and industrial output continued to rise and the standard of living of the people has also risen. The average monthly earnings of workers is calculated to have risen by nearly 50 per cent since 1947. Although the first Five Year Plan which is due to be completed by March, 1956, has not in all respects achieved its targets, it has been a success as far as the economic life of the country is concerned and it appears that deficit financing has produced a higher rate of development expenditure without causing inflation.

By Constitutional amendments, by a drastic revision of the Indian Companies Act and by the Finance Act 1955 as well as in numerous pronouncements, some of the proposed steps towards a "socialistic pattern of society" were promulgated during the year. With the third successive good monsoon there was no food problem, notwithstanding the normal increase in population: and this again resulted in a large saving in foreign exchange expenditure on imported food. During the year the Imperial Bank of India was nationalised and became the State Bank of India, thus terminating a long and honourable chapter of banking history. The State Bank has been created largely in order to extend banking facilities widely throughout rural India to an extent which it would be impossible for other than a State Bank to undertake.

The second Five Year Plan is now under consideration. It is a massive project and, bearing in mind its great objective of raising the standard of living of the people and providing for the rapidly increasing population, it must be hoped that it will meet with at least the same measure of success as the first Five Year Plan. Whether or not, however, this can best be accomplished by Government concentrating its energies on creation of the new, rather than acquisition of the old and well-tried, is a matter of opinion.

PAKISTAN

The framing of the new Constitution is making progress, but problems in regard to the allocation of powers between the centre and the provinces and on the question of joint electorates still present some difficulty.

Pakistan has decided to become a Republic and it is good to learn that it is her intention to remain in association with the Commonwealth.

The second event of major importance was the devaluation of the Pakistan rupee to its old level of 1s. 6d. One effect was to assist Pakistan's exports, but another was an immediate rise in the internal price of imported goods.

The country's shortage of foreign exchange remains a problem, although there has been some improvement during the year. As a result the control of imports has been some-

what relaxed and the internal finances of the country are considered to be reasonably sound and the budgetary position satisfactory.

CEYLON

With a record tea output for 1955 of 380 million pounds the industry generally has not done badly, but has understandably been hampered in that overseas buyers especially have been handicapped by the frequent administrative changes in the export duty.

The rubber industry has had a reasonably successful year but the generally higher external prices for the commodity have resulted in the China/Ceylon Trade Agreement not being so beneficial to Ceylon as in 1954.

Coconut oil and the copra industries have also had a reasonably successful year, whilst the cost of food imports fell substantially. It is therefore not surprising that the Ceylon Government had a net cash operating surplus of Rs.128.7 million, which compared favourably with the figure of Rs.33.7 million at the close of the previous financial year and is one of the biggest surpluses ever recorded in Ceylon.

BURMA

There has been some improvement in the internal security situation of Burma during 1955. The insurrection still continues but successful operations by the army and security forces have reduced its effectiveness to hit-and-run raids carried out by gangs of bandits supported by the Communist party. Nevertheless, the Government is optimistic of achieving internal peace before the General Elections which are due to be held in April, 1956. At these elections the Anti-Fascist People's Freedom League, the party which controls the present Government, expects to be re-elected with a large majority. Their political creed is the socialist state and the complete nationalisation of Burmese trade, and in furtherance of this policy the Civil Supplies Management Board which has hitherto imported 12½ per cent of the country's consumer requirements, will in future import 50 per cent. The department will have the sole monopoly for the import of most forms of textiles, cement and a number of other necessities. All this and much other business has to be channelled through the Government owned State Bank. Nevertheless, there is much goodwill towards the British and there may well be mutual advantage in a new growth of industrial and trading relations with Burma.

MALAYA

1955 has been an eventful year for the Federation of Malaya and for Singapore. Economically it has been a prosperous year, prices for rubber, tin and other commodities produced in these territories having maintained reasonable and, indeed, profitable prices. The export figures for 1954 (including re-exports) proved to be considerably lower than had been estimated and, in fact, only reached the figure of \$2,985 million. The export figure to the end of November, 1955, however, amounted to \$3,698 million,

so that the year 1955 should show a balance of somewhere in the neighbourhood of \$230 million in favour of Malaya compared with a deficit of \$154 million in 1954.

The main events of the year, both in Malaya and in Singapore, were the General Elections followed by the setting up of the new Governments with, in the case of Malaya, Tengku Abdul Rahman as the Chief Minister and in Singapore with Mr David Marshall as Chief Minister. In Malaya the transition to a measure of self-Government was achieved remarkably peacefully, but in Singapore there were disturbances and set-backs and a considerable amount of striking by labour.

In Malaya, although there may have been some measure of improvement in the Emergency, unfortunately there are few signs of this coming to an end.

THAILAND

Overseas trade improved considerably during the year 1955. As I told you a year ago, the rice export trade was given back to commercial enterprise and, as a result, total shipments of rice amounted to 1,223,937 metric tons compared with 993,719 in 1954. The largest individual purchaser was Japan, who took just under 350,000 tons. Singapore and Malaya between them took 400,000 tons, Hongkong 170,000 tons and the Philippines 66,000 tons. In September the Government announced that imports and exports were in balance and removed the requirement that part of the proceeds of rice, rubber and tin exports should be sold to the Bank of Thailand at the official rate. The various steps taken to free trade were bold in conception but have been proved successful. On the other hand, the teak industry of Thailand appears to be in decline and there seems little doubt that the quantity of teak available for export will decrease considerably in the next few years.

HONGKONG

Hongkong continues to make great strides in industrial expansion and the establishment of new industries; no less than \$663½ million of Hongkong made goods were exported in the first eleven months of 1955, the principal buyer being the United Kingdom, which absorbed \$125 million. This helped to replace the heavy decline in exports to Burma, Indonesia and Pakistan.

Hongkong continues to be an oasis of good Government and law and order, unencumbered with political problems and able to concentrate on industrial growth and commercial activity of high quality and resultant prosperity.

MAURITIUS

The finances of the Colony are in sound condition, and the year to the end of June, 1955, provided a surplus of some Rs.6 million of revenue over expenditure. On the revenue side 34.6 per cent is budgeted for from direct taxation with a further 24 per cent from Customs duties. The Government of Mauritius found it expedient to float a loan in October on the London market for £2,090,000 at 97 and carrying interest at 4½ per cent.

JAPAN

The anti-inflationary policy has continued and the balance of overseas trade further improved: exports rising substantially (some 24 per cent over 1954) whilst imports remained approximately unchanged, the balance is expected to yield a surplus of some 360 million US dollars.

FORD MOTOR COMPANY LTD.

SUBSTANTIAL PROGRESS DESPITE DIFFICULT TRADING CONDITIONS

LOW COSTS—KEY TO PRESENT COMPETITIVE SITUATION

The twenty-seventh annual general meeting of Ford Motor Company Limited will be held on April 20th in London.

The following is an extract from the circulated statement of the Chairman, Sir Rowland Smith, MIMechE:

Despite intensive competition abroad and increasingly difficult conditions in the home market, 1955 was a period of substantial progress, and total production of 356,000 units, reaching 1,500 vehicles per working day by the end of the year, showed an increase of 19 per cent on 1954. 168,495 units were exported and total exports realised £68,559,628. Both these figures constituted all time records, and sales of commercial vehicles overseas rose by the substantial amount of 51 per cent. The continued growth of our tractor business merits a special mention. Sales at home rose by 29 per cent and of the record production of 48,872 units no less than 67 per cent were exported.

EFFECTS OF GOVERNMENT RESTRICTIONS

Towards the end of 1955 the Government's "credit squeeze" began to have a restrictive effect on the home market and the fall in demand was accentuated by the reappearance of a seasonal pattern of fluctuation resembling that familiar before the war. In recent weeks stricter Government measures have further accentuated the falling trend in home demand. It has been officially suggested that deterrents to home sales provide a stimulus to greater export effort, but in this Company we have known only one degree of export effort—the maximum—and without it the above results could not have been achieved. This remains our policy.

The British motor industry has made greater progress in the export markets than any other major industry. Last year the value of its exports was £387 million, which was 13 per cent of total British exports, and over twenty times as great as in 1938.

Since my last report considerable progress has been made with our expansion and modernisation programme.

The year's results reflect the effect of rising costs against a background of stable prices. Although net sales rose by 19 per cent to the record total of £151 million, profit before tax declined. Taxation amounted to £8,156,000 leaving a net profit after tax of £8,551,649.

We derived a benefit in respect of investment allowances totalling £1.2 million on our considerably increased capital expenditure in 1955, but have noted with concern the recent announcement by the Chancellor of the Exchequer that these allowances are to be withdrawn in respect of future capital expenditure for which contracts had not actually been placed. Unfortunately, a large proportion of our expansion programme has not yet reached that stage of development and the adverse effect of this withdrawal upon us will be considerable.

The most significant feature of the year's operations has been the decline in profit margins.

PROBLEM OF WAGE INCREASES

I think it appropriate to say a few words about wage increases. No one would belittle

all that we owe to the many who through their loyalty and effort have co-operated in the successful expansion of production for so many years. There comes a time, however, when it is necessary to sound a note of warning. Frequent wage increases become damaging to any business and to its employees unless these are met out of increased efficiency and productivity. Only thus can we meet competition, particularly foreign competition, on equal terms. This basic economic fact must be understood by all, for if through excessive wage advances we are unable to maintain our present position in world markets, we concerned will share the responsibility and suffer the consequences.

At home, the years ahead may well present greater difficulties than have been experienced in recent years. Abroad, the main feature of the year has been the continued success of German competition in Europe, and its rapid progress in other markets. We are doing our utmost to combat this trend and will continue to do so with products of high quality and finish, and with low cost our paramount concern. Indeed, that is the key to continued production at current levels and to the maintenance of employment.

THE FUTURE

Looking further ahead, we are confident that the long-term upward trend of world demand will be resumed as living standards continue to rise, and a steadily expanding margin of income becomes available for the "non-essential" goods which, with custom and time, gradually come to be demanded as necessities. The motor car is already so regarded in North America and parts of the Commonwealth. Within a generation, given peaceful development, it may well have become a necessity not only in this country but in Western Europe and other areas with comparable living standards.

We believe that these factors assure the long-term growth of the world market for motor vehicles, and it is upon a careful appraisal of these trends that we have based our expansion programme.

DIRECTORATE

Our Executives retire at 65. I passed that milestone in 1953, but was asked to continue in the Chair for a further period. I agreed to do so to make some useful contribution towards our future plans. These are now maturing, some have already come to fruition. Consequently, I feel it now appropriate to hand over my heavy responsibilities to a younger man; my colleagues have invited me to remain on the Board. Your Directors intend to elect Sir Patrick Hennessy to succeed me in the Chair. I am sure you will agree he is an eminently suitable choice. We wish him every success.

After paying tribute to the Board of Directors, the staff, the Associated Companies overseas and the Company's suppliers and dealers for their invaluable help and support, the statement concluded: Competition in all markets is intensifying, but I am confident that the enthusiastic spirit of our organisation assures us of a great future.

ENGLISH CHINA CLAYS

ANOTHER SUCCESSFUL YEAR

DEMAND REACHES AN ALL-TIME RECORD

SIR JOHN KEAY'S STATEMENT

PRODUCTION CAPACITY TO BE EXTENDED

Despite the large capital development schemes which we have undertaken and completed in the last ten years, our production capacity is fully extended at present and we have already commenced installations of additional modern plant and equipment to deal with the processing and refining of the extra tonnage of china clay required to meet this increasing demand. Shortages of steel and labour and the late delivery of equipment have retarded the completion of a number of these capital schemes, but we believe that by late summer we shall have overtaken the present difficulties.

Meanwhile the re-equipment and modernisation of existing production capacity continues to progress with the caution required to keep abreast of scientific and engineering developments both within and without the Company itself. We are mindful of living in an age of revolutionary industrial activity based upon new scientific discoveries. The introduction of new processes and techniques in china clay consuming industries calls for a continual revision of china clay specifications. These new and highly interesting developments create problems for our production engineering and research departments, the solution of which indicates the trend of future capital expenditure.

TRAINING SCHEMES

I am sure the Shareholders will be glad to learn that the Company is shortly to extend its Apprentice and Employee Training schemes. Within the Group it is possible to give, in conjunction with the County and Local Educational Authorities, comprehensive practical and theoretical training in a very wide group of occupations from Architects to Accountants, Blacksmiths to Builders, Chemists to Carpenters, Scientists to Salesmen and Draughtsmen to Directors. We feel that ample provision should be made for the early recruitment and training of all grades of employees.

Promotion to the senior posts in the Companies should be open to Company trained personnel wherever possible, thus reducing the proportion of outside recruitment to a smaller percentage than exists at the present time. The requirement for first-class craftsmen, technologists and the professions has grown considerably in recent years following the extension of the activities of the Company and its Subsidiaries. It is hoped that this scheme will benefit all concerned, and I am sure that the Shareholders will not object to a prize, named the Shareholders' Prize, being given to the best all-round student for the year.

HOME AND EXPORT SALES

In regard to the Sales position, both our Home and Export trades reached record figures during the year. Supplies to the Home market, which represent approximately 30 per cent of our production, have been well maintained, and it is pleasing to note the spirit of first-class co-operation between the Research staffs of the Paper, Pottery and other Industries and our own

Research Department in the development of quality products.

With regard to the Export Trade the total value of foreign currency earned by the Group during this period exceeds £4 million. Whilst an improvement was made in the dollar markets, generally speaking the real expansion of the Export Trade occurred in the Continental markets.

In this connection there is one matter which I should like to mention at this stage. Of the total amount of £1,323,116 paid to shippers for the conveyance of china clay to its overseas destinations only £284,897 was paid to British shipping, the balance being carried by foreign ships. Our china clay is one hundred per cent British and its production does not depend in any major sense on imported materials. Practically the whole of its foreign currency earnings are net gain to the country's economy. In view of the National necessity to increase exports you may rest assured that we do everything possible to employ British ships, but unfortunately it is not always possible to do so.

DEMAND FOR CORNISH UNIT HOUSES

In regard to the Building side of our business, as I have already mentioned in my statement to Shareholders of ECLP, our Building Subsidiaries have again contributed substantially to the Group profits although the actual profits show a reduction due to an all-round slowing up of the Government Housing programme. Sales of Cornish Unit dwellings decreased during this period, but the reduction was mainly due to the completion of Housing contracts for special schemes not in connection with Local Authority programmes. The number of our houses erected during the period under review throughout the country for Local Authorities has been well maintained. Apart from the attractive design and appearance of the Cornish Unit house we believe that the numerous repeat orders we have received during the year were influenced by the low maintenance costs experienced on our houses erected in previous years and this has assisted us to maintain our relative position in the Local Authority Housing field.

In view of the official encouragement given to high density housing we have designed maisonette and flat accommodation to meet the new demands. We have also turned our attention to private enterprise building and have purchased land for Estate development in the Greater London area and in the South-West of England. Work on these Estates is proceeding.

TRIBUTE TO STAFF AND WORKPEOPLE

In conclusion I am sure you would wish me to acknowledge on your behalf the loyal and enthusiastic work which has been performed by the workpeople, the staff and all executives both at home and abroad. An excellent team spirit has existed throughout the year—long may it continue to do so.

The report and accounts were unanimously adopted.

At a subsequent extraordinary general meeting and class meetings the Scheme of Arrangement was approved.

IONIAN BANK

MR A. H. REID'S STATEMENT

The one hundred and seventeenth annual general meeting of the Ionian Bank Limited will be held on April 24th in London.

The following are extracts from the statement by the chairman, Mr A. H. Reid, CBE, circulated with the report and accounts for the year ended December 31, 1955:

Last year again saw an expansion of our business. Our total assets at December 31, 1955, stood at £16,695,546, compared with £15,362,374 on December 31, 1954. Advances totalled £7,260,459 at the end of 1955, as against £6,653,218 at December 31, 1954, while liabilities of customers for documentary credits, guarantees, etc., increased also from £3,787,592 at the end of 1954 to £4,242,759 at the end of last year. We have been able to maintain a high degree of liquidity and cash in hand and balances with foreign correspondents totalled £2,405,494 at December 31st last, compared with £1,869,751 at December 31, 1954. Deposits have again increased and stood at £11,217,617 at December 31st last, compared with £10,307,536 at December 31, 1954. As you will appreciate, our overhead expenses have continued to increase as the result of the constant rise in the cost of living at home and abroad. However, I am glad to say that the bank has had a good year throughout the areas in which it operates, but I am sure you will realise that the difficulties with which this country is faced in the East Mediterranean make it impossible for me in any way to forecast the trend of future results.

Greece has lost, by the death of Field Marshal Papagos in October, 1955, a leader who, in war and in peace was widely respected. The general improvement in the country's economy, to which I referred in my last report, has been well maintained. During 1955, there was a substantial increase in exports, of which as usual tobacco accounts for the larger share. The total value of imports into Greece also was higher in 1955 than in 1954, owing largely to an increase in imports of wheat. On the other hand, emigrants' remittances, shipping earnings, and the net receipts from the tourist trade in 1955 were all appreciably higher than in 1954, with the result that the position of the country's balance of payments has improved.

In Egypt, one of the Government's most important achievements was the completion in principle of the arrangements for financing the Aswan Dam scheme. Last year also saw the conclusion of arrangements for the accelerated release of Egyptian sterling balances in the United Kingdom, so that there should be wider opportunities for British trade with Egypt. The total of Egypt's cotton exports shows a notable increase mainly due to the increase of cotton sales by the Egyptian Government to other Governments, often on a barter basis.

In spite of the unhappy situation in Cyprus, last year was again one of much activity in the commercial and economic life of the island. Boom conditions once more prevailed, prices continued to rise, and there were occasionally serious difficulties in obtaining labour. The greatly increased expenditure by the British military authorities and by the Government has, in fact, led to inflationary pressures, which the Government has done its best to meet by inducing the banks to control the volume of credit. The grain harvest was adversely affected by the weather. Most of the export crops, such as carobs, were disposed of, though at rather lower prices than in 1954.

THE BIRMINGHAM & DISTRICT INVESTMENT TRUST, LIMITED

A SATISFACTORY YEAR

The seventy-second annual general meeting of this Company was held on March 22nd in London.

Mr J. S. Wills, presiding in the absence of the chairman, Mr H. C. Drayton, said in the course of his speech: There is a small drop in our investments in associated companies but our general investments have expanded by some £211,000. This is largely reflected in the reduction in our current assets of £165,000. The value of our general investments shows an appreciation over book cost of 67 per cent compared with 64 per cent for the previous year.

INCREASED REVENUE

Turning to the Revenue Account, you will see that our gross revenue has increased by some £81,000, or 13.6 per cent over that of the previous year, the bulk of this increase coming from our general investments.

Your directors are again recommending a dividend of 30 per cent on the Ordinary stock. Your Chairman last year intimated that in raising the dividend for 1954 the Board were distributing more of the available profits than they normally did, in view of the anticipated increase in revenue for the year now under review. That anticipation, as you will see, has proved to be well founded. In view, however, of the outlook, to which I shall refer later, your Board have deemed it prudent to do no more than maintain this rate.

The year 1955 proved to be satisfactory for the company and we were able to avail ourselves, as a result of the liquid resources at our disposal, of satisfactory investment opportunities as they occurred.

It is interesting to look back to 1948 when, under the new Companies Act, it became obligatory for investment companies to publish the value of their investments, and to compare the figures with those of the present day. At the end of 1948, our general investments were valued at £4½ million, but, at the end of the year under review, their value had increased to no less than £7 million, an increase of some 47 per cent, and, during that time, no new money has been introduced into your company.

INDUSTRIALISTS' PERPLEXITIES

Industrialists and businessmen alike are today faced with many perplexities and, in the field of capital investment, have many difficult decisions to make.

The steps recently taken by the Chancellor were obviously carefully thought out, were deliberate and are doubtless having the effect they were intended to have. Industries directly affected by the credit squeeze are 'cutting down production, and staff must ultimately be released for other jobs. The period of readjustment is bound to be painful. Once a movement of this sort has been started it is difficult to know where and when it is going to stop, but my own belief is that in the course of the next twelve months we shall be in a healthier economic position.

Our investments are well spread and are constantly under review. I shall be disappointed if the profits of your company are less for the current year than for the past, although there may well be less "cover" for them.

The report and accounts were adopted.

THE EASTERN BANK, LIMITED

SATISFACTORY FIGURES

The forty-sixth annual general meeting of The Eastern Bank, Limited, will be held on April 18th in London.

The following is an extract from the circulated statement by the chairman, Sir Evan M. Jenkins, GCIE, KCSI:

The Balance Sheet for 1955 shows an increase of £5,597,291 in Current, Deposit and other accounts, and of £548,316 in Bills Payable. On the assets side there is an increase of £1,482,400 in Cash on Hand, at Call and at Bankers, of £1,968,783 in Bills Receivable, and of £2,862,454 in Advances and other accounts. With these and other less important changes the Balance Sheet total stands at £43,558,711, as against £37,352,355 at the end of 1954.

These figures are satisfactory, but since the end of the year certain assets held by one of our Branches have given us concern. Provision has been made in the accounts for the diminution in the value of these assets as at December 31st last, and if necessary further provision will be made in 1956.

The further increase in our resources has been useful and profitable, but, as I said last year, it may not be permanent. Competition is increasing almost everywhere, and in the countries which enjoy a revenue from oil large fluctuations in balances are not unusual.

Bank Premises, Furniture and Equipment now stand (after the appropriation of £35,000 referred to below) at £720,953, against £538,474 at the end of 1954. Our Baghdad building is at long last nearing completion.

PROFIT AND DIVIDEND

The published profit is £132,536 against £129,011 for 1954. The appropriations from profit are £50,000 to Contingencies, £35,000 to Premises, and £28,750 to the final dividend of 5s. per share, which with the interim dividend already paid of 3s. per share, makes a total dividend of 8s. per share for the year as before. The carry forward is increased from £111,120 to £112,656.

The year has from the trading point of view been a good one. During the year we opened a Branch at Mukalla in the Hadhramaut, 280 miles east of Aden, and a Sub-Branch in Rashid Street (Southgate) at Baghdad. Arrangements were also made to open a Branch at Beirut; we entered into occupation of premises there early in the New Year, and it is expected that the new Branch will be ready for business within a few weeks.

The attention of Shareholders is invited to the Resolution concerning the number of Directors to be moved at the General Meeting. The present maximum number under Article 81 of the Bank's Articles of Association is seven (reduced from twelve during the War). Your Directors are satisfied that this maximum of seven may not in all circumstances be sufficient for the Bank's purposes, and it is proposed to increase it to nine. The two new Directorships will not be filled immediately, but will be available when required.

In November and December I visited the Bank's Branches at Aden, Mukalla, Karachi, Calcutta, Chittagong, Bahrain and Doha, and Mr Leigh-Wood is now on a tour of our Branches in Iraq and Beirut. Sir Thomas Strangman has spent some months on business in Singapore, and has been able to see something of our Singapore and Kuala Lumpur Branches.

BARRACKS FABRICS PRINTING COMPANY, LIMITED

POLICY OF CONSOLIDATION

The nineteenth annual general meeting of The Barracks Fabrics Printing Company, Limited, was held on March 21st at Macclesfield, Major K. G. Wilby (the Chairman) presiding.

The following is an extract from his circulated statement:

The profit for the year ended December 31, 1955, unfortunately shows a decline, as compared with the year ended December 31, 1954. The Net Profit is £41,597, after deducting Directors' emoluments and Depreciation. Taxation is still a very heavy charge at £23,236; more than half the profit of your Company. Your Directors recommend a final Ordinary dividend of 10 per cent, making a total of 20 per cent for the year.

It is the intention of your Board gradually to consolidate and build up not just reserves but a business founded on a still stronger financial basis. This can only be done by ploughing back a reasonable proportion of the profits, and it has therefore been deemed advisable not to utilise the Dividend Equalisation Reserve.

In the latter half of the year under review, your Company suffered from the effects of the import and credit restrictions of certain countries. For some months we were obliged drastically to curtail production with its resultant difficulties and hardships.

The cost of practically all the materials we use in our productions had increased and we therefore experienced, in addition to a reduced production, a reduced profit margin during the months of the recession.

During the last few months of the year there has been an improvement, and we have a reasonably full order book at the moment.

The report was adopted.

EASTBOURNE MUTUAL BUILDING SOCIETY

RECORD RESERVES

The seventy-ninth annual general meeting of the Eastbourne Mutual Building Society was held on March 21st at Eastbourne.

Mr Laurence A. Caffyn, chairman, in the course of his speech said:

New investments made in the Society during the year amounted to the sum of nearly £1½ million, that is a large sum of money and we are proud of the achievement. The number of investing members has increased by 300 during the year. This is very satisfactory and indicates the increasing popularity of the Society.

The money invested in the Society is, as you know, used to assist in home ownership. Here again, the Society had a busy year, and the sum of £1,093,000 was advanced to 1,050 individual borrowers for this purpose. I must state, however, that the demand for mortgages during the year was greater than this Society has ever known.

Interest rates had to be varied during the year. The increase in Share and Deposit rates to 3 and 2½ per cent was obviously due, and the influx of money which followed the adjustment proved how welcome it was. Increases took place as at August 1st. Mortgage rates also had to be increased, and the increase took place as at November 1st.

One of the difficulties during this period was the fact that for three months the Society was receiving by way of interest a lower rate of interest than it was paying, when one takes income tax into account. It is therefore very gratifying that the surplus on the year's working was practically the same as 1954, and the reserves of the Society have been increased by £20,000. The total reserves and carry forward now amount to £322,000, the largest figure ever recorded.

The report and accounts were adopted.

Christiania Bank og Kreditkasse

Established 1848

The oldest Joint Stock Bank of Norway

Head Office: Stortorvet 7 — Oslo — Telegrams: KREDITKASSEN

Balance Sheet 31st December 1955

Assets.			
Cash on Hand, and Due from Bank of Norway	...	Kr.	94 105 316.34
Due from Norwegian Banks	...	"	98 178 619.88
Due from Foreign Banks	...	"	62 529 503.29
Investments	...	"	142 223 348.45
Mortgages	...	"	78 251 933.81
Bills discounted	...	"	125 929 535.29
Advances to Customers and Other Accounts	...	"	506 030 087.14
Foreign Exchange Debtors	...	"	318 800.00
Commercial Credits	...	"	33 000 602.12
Bank Premises etc.	...	"	3 759 446.40
Other Assets	...	"	3 431 307.00
		Kr.	1 147 758 499.72
Liabilities.			
Private Customers' Demand Deposits	...	Kr.	332 859 145.69
Private Customers' Deposits at Notice or fixed Term	...	"	486 100 073.60
Due to Norwegian Banks	...	"	157 412 722.99
Due to Foreign Banks	...	"	28 884 545.91
Acceptances on Account of Customers	...	"	898 170.10
Cheques in Circulation, etc.	...	"	15 096 473.56
Foreign Exchange Creditors	...	"	24 352 878.00
Commercial Credits	...	"	36 758 054.59
Other Liabilities	...	"	16 359 515.21
Capital fully paid	...	Kr.	24 000 000.00
Reserve Fund	...	"	16,000 000.00
Reserve for Taxes	...	"	4 400 000.00
Reserve for Contingencies	...	"	3 000 000.00
Balance carried forward to 1956	...	"	1 636 920.07
		Kr.	1 147 758 499.72

INTERNATIONAL COMBUSTION (HOLDINGS) LIMITED

Annual Report and Accounts of the I.C.L. Group for 1954-5

INTERNATIONAL COMBUSTION LTD.
Complete Steam Raising Plants for Electric Power Stations and for other purposes in Great Britain.
INTERNATIONAL COMBUSTION PRODUCTS LTD.
Mechanical Stokers, Pulverising Mills, Feeders and Burners for all Steam Raising Equipment, Material Handling Equipment, Vibrating, Screening and Filtering Equipment, etc., for sale in Great Britain.
INTERNATIONAL COMBUSTION (EXPORT) LTD.
All products of the Group for sale abroad.

RILEY (IC) PRODUCTS LTD.
Mechanical Stokers for small installations, Syntrol Vibratory Equipment.

1953-4		1954-5	
629,004	Net Profit for Year after Taxation	828,964	
4,950	Preference Dividend	5,062	
263,792 (25%)	Ordinary Dividend 20% (on Increased Capital)	330,336	
360,262	Net Profit retained in the Group for Development, Expansion and Contingencies	489,966	
629,004		828,964	
2,872,668	Net Current Assets before providing for advance taxation	3,370,966	
1,642,685	Fixed Assets (less depreciation)	1,034,949	
434,815	Investments (less Provision)	435,361	
4,356,108	Total Capital Employed	4,841,066	

EXTRACTS FROM THE CHAIRMAN'S REVIEW

The Group profit of £1,795,883, augmented by increases in Dividends, Interest and Fees Receivable, is higher than in the previous year.
The value of Orders on hand, including one for Steam Raising Plant for the High Marnham Power Station, received during the year, is considerably in excess of that at the end of the previous year. The Steam Raising Plant for High Marnham was the largest order ever received by the Organisation and also comprises the largest Steam Raising Units yet adopted in this Country or in Europe.
The output of the Derby works fell slightly due to labour turnover and steel shortages.
Valuable orders have been obtained by the Associated Companies in Africa and Australia.
It is anticipated that the working results of the Organisation for the current year should be no less favourable than those for the past year.
A new Company, International Combustion (Nuclear Applications) Ltd., has been formed to continue research work in all fields associated with Nuclear Energy Development, and expansion is also being undertaken in other fields closely allied to the main business of the Group.

JAGUAR CARS LIMITED

YEAR OF EXPANSION

SIR WILLIAM LYONS' STATEMENT

The Twenty-Second Annual General Meeting of Jaguar Cars Limited was held on March 20th at the registered office, Browns Lane, Coventry.

In his speech, which was circulated with the accounts, Sir William Lyons, the Chairman, said:

The Accounts for the year's working again show an increased profit. You will note that there is a larger allocation for depreciation, and this is required to provide a year's charge on further expenditure on plant and equipment. This increase is due to the need for additional plant required in connection with the production of the 2.4-litre model, but it must be pointed out that this plant has not been in full production during the period under review.

There is a further increase in work-in-progress and stock-in-trade which, whilst being required by the high level of production always in hand on current models and government contracts, also reflects this year the building up of materials and stocks for the production of the new model.

Taxation again takes a large proportion of the year's profits, but the charge for the year under review benefits from the reduction in the standard rate of Income Tax and the absence of Excess Profits Levy.

FACTORY EXPANSION

The year has been one in which our plans for the expansion of productive capacity, involving considerable factory reorganisation and the addition of new plant and machinery for the production of the 2.4-litre model, have largely been carried out to conform with a programme for completion before the end of 1955. Fortunately, we have been able to carry out this expansion without any interference with our current production. We have also completed extensions to our factory, which have involved new buildings, completed since the date of these accounts. I am pleased to be able to tell you that, although this expansion of capacity has incurred very substantial capital expenditure, we now have a plant which will more economically produce a much greater number of cars per annum, and will enable us to take advantage of the markets where we have developed our sales and service organisation during the last few years.

SUCCESS OF NEW MODEL

I do not think I need tell you that the new 2.4-litre car which was introduced at the Earl's Court Motor Show last October has met with world-wide acclamation and there is no doubt that we are going to find it difficult, even with greater production facilities, to meet the demand, provided that rising costs do not price us out of the world markets. With this new model we have gone even further than we have in the past to market a car of exceptional value, for we continue to believe that our customers will keep our factory working at full capacity if our cars give them everything they want at a price which offers them the best value for money.

The introduction to the Home Market of automatic transmission on the Mark VII, which has been a feature of our export models for more than two years, has enabled us to

offer the Home Market a car of quite exceptional qualities with an entirely new conception of motoring. There is no doubt that even the most enthusiastic advocate of the manual gear change must eventually be a convert to this new kind of motoring.

EXPORT INCREASE

We have again maintained a top position in our percentage of exports and, in spite of the loss of such valuable markets as Australia and Sweden due to internal legislation in those countries, our total volume of exports has been increased as a result of more intensive sales activities. For example, in America our shipments show an increase of 15 per cent over the previous year, whilst Germany and Belgium both exceeded last year's imports by 33½ per cent.

INTERNATIONAL COMPETITIONS

In the sphere of motoring events, the tragic circumstances of the accident at Le Mans resulted in a considerable curtailment of fixtures for the remainder of the season, one notable cancellation being the Rheims 12-Hours Race which has previously been won by Jaguar in the years 1952, 1953 and 1954. Nevertheless, having won the Le Mans 24-Hours Race for the third time and set up new records for lap speed, average speed and distance, Jaguar went on to create a new lap record in the Tourist Trophy Race at Dundrod. Of equal importance, particularly with regard to our dollar export drive, was the series of outstanding successes gained by Jaguar in the USA. Following the establishment of a new course record for sports cars at Daytona where a speed of 164 mph was achieved, Jaguar continued with an outright victory in the Sebring International 12-Hours Grand Prix, again setting a new record for the course. This success was followed by the winning of the Watkins Glen Grand Prix, the Seneca Cup Race and the President Eisenhower Trophy.

That Jaguar successes are not confined solely to sports car events is demonstrated by the victory achieved by Mark VII Saloons in the Silverstone Production Touring Car Race where Jaguar took first three places, set a new lap record and won the Team Prize. This year, outstanding amongst the performances put up by the Mark VII Saloon was Jaguar's outright victory in the International Monte Carlo Rally, thus adding yet another famous event to the long list of Jaguar's international successes.

RIISING COSTS

In spite of the progress we have made in considerably increasing our productive capacity and sales potential, and despite the world-wide reputation we have achieved, we view with concern the need to preserve our selling prices to meet world competition. Although we have not increased our selling prices since 1952, the continuous increase in our costs gives rise to growing anxiety. It may be that there are some industries which do not, as yet, have to face serious competition, and I have no doubt that, in some of them, rates of pay of employees may call for adjustment in the light of present-day living costs; but we in the Motor Industry not only have to be competitive but, also, are paying the highest wages in the country.

Further, we have to meet considerable capital outlay and tooling costs in order to keep abreast of modern trends. In these circumstances, it is inexplicable to me that those whom the workpeople have chosen to be responsible for guiding their welfare can be so short-sighted as to fail to see that their programme of annual wage claims must spell ultimate disaster in which nobody will escape. As I understand it, they base the reasonableness of their demand for increased pay on the alleged fact that Companies' profits justify it, and refuse to accept the necessity for conserving profits to meet the continuous need for new plant and equipment and for making available the very substantial sums which must be found for the tooling of new models—to say nothing of the need for reserves to take care of a rainy day.

You will observe from the Notice accompanying this Report that an Extraordinary General Meeting has been called for the purpose of considering an amendment to the Company's Articles of Association to permit the appointment of Executive Directors. Your Board considers that such appointments will be of considerable benefit to the organisation and the Resolution is self-explanatory.

I would like to refer to the honour of Knighthood which Her Majesty the Queen has been pleased to bestow upon me, in order that I may express the hope that this honour will be recognised as a tribute to the part played by everyone within our organisation, and our suppliers, in building up the name of Jaguar to an eminence deserving of such recognition.

The report and accounts were adopted. Mr A. Whittaker was reappointed a Director. The amendment to the Company's Articles of Association was also approved.

ARMY AND NAVY STORES

The Eighty-fourth Annual General Meeting of Army and Navy Stores Limited, will be held on May 4th, in London.

The following is an extract from the circulated statement by Commander S. C. Lyttelton, OBE, DSC, RN, Chairman and Managing Director, for the year ended January 31, 1956:

Your Company has again had a good trading year. The Group trading profit for 1955/56 is £298,959 as compared with £211,107 last year. A point of interest is an increase in the total number of transactions during the year as well as in the average value of those transactions. Taxation has increased by £38,027 leaving the Group Profit after taxation at £149,981. It is recommended that a dividend of 9d. per stock unit, less tax, be paid, the same as last year and that a distribution of 4½d. per stock unit out of capital profits should again be made.

Prospects in the immediate future are uncertain. Despite all efforts to keep them down, expenses continue to rise, and in particular of course this year we are faced with a very considerable increase in Rates. Furthermore, the general outlook for retail trade is not very encouraging. The country's financial difficulties are largely due to too much money being spent by both the Government and the people. If a favourable balance of trade and confidence in the pound sterling are to be restored and maintained, this spending must be reduced, and that is bound to have an adverse effect for a time on retail trade. With that word of warning, however, it is satisfactory to note that your Company, although not yet fully re-organised and re-developed, is in a far better position than it was a few years ago to obtain its fair share of whatever retail trade there may be.

BANK OF SCOTLAND

FURTHER EXPANSION OF BUSINESS

SIR JOHN CRAIG'S SPEECH

The Annual General Meeting of the Proprietors of the Bank of Scotland was held on April 3rd, within the Head Office, Edinburgh. Sir John Craig, CBE, DL, LLD, Governor of the Bank, presided and, in the course of his speech, said:

Proprietors will recall that it was on March 1, 1955, that the fusion of the Bank with The Union Bank of Scotland Limited took place. The year just ended, therefore, is the first year of operation of the combined Bank, and I am glad to record that in this initial year the process of welding the two undertakings together has been successfully accomplished.

There is already evidence that the fusion of the two undertakings has brought with it added strength and solidarity. The Bank, through its enlarged Branch system, seeks to provide banking facilities throughout Scotland wherever they may appear to be required.

BALANCE SHEET

The Balance Sheet of the Bank records an increase in total resources of over £4 million, and indicates a further increase in the Bank's business. Under the influence of tighter money control and the higher rates of interest which have had the effect of attracting funds in other directions, the Bank's Deposits show a reduction of approximately £5 million. Note Circulation, on the other hand, shows an increase of £1,500,000, and there has been a further

substantial increase in obligations undertaken on behalf of customers, which now amount to £20,700,000.

On the Assets side, Cash, Balances with other Banks, Documents in course of Collection, Money at Call and Bills Discounted show an increase of over £7,500,000 and, together, amount to 35 per cent of our Liabilities to the Public. The Bank's Investments have suffered a substantial depreciation in value during the year as the result of the influence of higher interest rates now current. These appear in the Balance Sheet at just under £83,500,000. This figure is less than their market value. While we are glad to have had sufficient Inner Reserves with which to provide for this depreciation, we cannot regard a continuance of this downward trend in values without some concern.

Advances to customers show little change at a total of £44,500,000, though as a result of restriction their composition is now more than ever associated with support to activities directly concerned with improvement in the country's balance of payments.

The Profit and Loss Account shows a Net Profit, after provision for all taxation and contingencies, of £643,007, compared with £630,614 last year. Adding the balance brought forward, there is available £899,061, from which there has been transferred to Reserve for Contingencies the sum of £200,000 and to Staff Pension Fund £80,000. An interim dividend at the rate of 7 per cent was paid last October, and a final dividend at the same rate is now proposed. These dividends will require £362,250, after deduction of Income Tax, and there is left a balance of £256,811 to be carried forward to next year.

Much has been said and written about the causes which have brought about the

present inflationary situation in this country. I do not propose, therefore, to deal with these in any detail. It may be sufficient to refer to what would seem to be the two predominant factors which were operating concurrently, namely, an excess of capital expenditure in the public sector of the economy over accumulating resources in the form of savings, and the increasing volume of spending power generated by rising wages from which a greater volume of savings might well have been forthcoming. In the past few weeks measures have been taken which are designed to check both these influences. A cut in Government expenditure has been imposed, and a check to the ease with which Local Authorities have been able to obtain from the Government funds for capital expenditure on development schemes has been brought about by their being directed to the Market to seek the funds they require. The cost of borrowing has been raised by the increase in the Bank Rate to 5½ per cent. At the same time further tightening in the terms of Hire Purchase credit has been introduced, and an attempt made to establish a more realistic condition of our internal economy by the reduction in the subsidies for rent, bread and milk.

Signs are not lacking that activity in certain industries is now slowing down. This as far as it goes may suggest that the Government's policy is becoming effective, and if this check to activity can be accomplished as a result of a reduction in internal demand without interfering in any way with production for export, then there may be reason to believe that the situation will have been brought under control. It is certainly vital that it should be, and the long decline in the purchasing power of the £ arrested.

The report was adopted and the final dividend of 7 per cent (actual), making 14 per cent for the year, was approved.

MIDLAND COUNTIES MOTOR FINANCE CO. LTD.

MR FRANK KENNING'S STATEMENT

The Twenty-seventh Annual General Meeting of Midland Counties Motor Finance Company Limited was held on Tuesday, March 27th, at the Royal Victoria Station Hotel, Sheffield. Mr Frank Kenning, the Chairman and Managing Director, presiding.

The Secretary, Mr R. C. Scrimshaw, read the notice convening the meeting and the report of the auditors.

The following is the statement by the Chairman which has been circulated with the report and accounts for the year ended December 31, 1955. It is with great sorrow, which I know is shared by many of you who knew him, that I have to refer to the death of my father, Sir George Kenning, our late Chairman. My father founded this Company twenty-eight years ago (together with the late Sir Ernest Shentall (its first Chairman), and Messrs Eastwood, Scorrish and Watson, all of whom he survived by many years. Under his leadership as Managing Director, the Company has grown from modest beginnings into a flourishing concern. This point will be appreciated when it is mentioned that the turnover last year was over £5 million compared with £560,000 in 1935. During the whole of this time your Company has always shown a profit and a steady expansion in profits except during the war years.

Sir George will be sadly missed and we have a very high standard to maintain.

RECORD TRADING RESULTS

The results for the year under review again reveal an expansion in business and record profits. The group profit is £322,017 compared with £293,393 last year and after taxation and all other charges and provisions, there remains £144,614 compared with last year's figure of £130,687.

Your directors recommend that a dividend of 30 per cent be paid on the Ordinary Shares, which is the same as last year. In declaring this dividend, your directors have had regard to the Chancellor's call for restraint, the increase in distributed profits tax and the necessity for financing further expansion out of profits. They also propose placing £50,000 to reserve, leaving an increase in the balances carried forward of £48,244. The balance carried forward includes the balances of

the subsidiaries, which are wholly owned.

During the year under review, Hired Balances have increased by £769,464 and this increase has been financed by the Loan Stock issue of £250,000 by loans on deposit which are up by £390,217 and by accrued profits.

The average term of hiring has lengthened so that a higher proportion of the interest chargeable is carried forward into next year than was brought in at the beginning of the year. This factor, coupled with increased costs in interest paid owing to the raising of the bank rate in February, 1955, and higher administrative costs and operating costs owing to more intense competition in rates and commissions towards the end of the period, accounts for the comparatively modest increase in profits which nevertheless can, I submit, be considered to be satisfactory. Most of the expansion in business took place in the first half of 1955, after which the restrictions placed on borrowing made it difficult to find further money for expansion. Your Company was involved only to a minor degree in the unfortunate transaction which has affected other hire purchase companies and banks and to which the Chairman of one of the leading hire purchase houses has already referred. This contingency has been fully provided for in the accounts and it is anticipated that a large proportion of our residual losses will eventually be recovered.

FUTURE DEVELOPMENTS

At the time of preparing this report, as indeed was the case last year and the year before, new and more salutary controls affecting our business have been announced. If business continues at the same level as last year, the increase in the Bank Rate will cost about £24,000 in a full year. I cannot say what the effect of the new restrictions will be. Business usually has its compensations. Nor do I propose to enter the controversial field of the morality of hire purchase or to comment on its effect on the economy of the country. Hire purchase certainly seems to have become the whipping boy of politicians and some moralists alike. What we do propose to do is to explore and exploit all possibilities of using your money as wisely and profitably as is safely possible and

permissible. With this end in mind we have, in conjunction with our friends and best customers, Messrs Kennings Limited, formed a new subsidiary called Car and Commercial Contracts Limited. This subsidiary is about to commence operations and I hope to be able to report satisfactory progress next year.

STAFF AND ADMINISTRATION

During the year we have purchased a building in Sheffield to relieve our overcrowded office space. We have also introduced a new machine accounting system. The process of moving and the introduction of new methods has meant an additional burden on the staff at a time of rapid expansion of business and I am sure you would like me to express our special thanks to them for the hard work they have put in to give effect to these improvements satisfactorily. I would particularly like to mention our General Manager, Mr C. B. Lowe, in this connection. Our thanks are also due to our Branch Managers and their staffs.

DEPOSITS

Once again I wish to draw your attention and that of your friends to the Company's scheme for the acceptance of deposits which is an important method of financing our business. This service is available to the small and large investor alike and offers an attractive and secure method of earning a realistic rate of interest (currently 6½ per cent) while still conserving capital values and availability at very short notice. Deposits can be arranged with the minimum of formality and at no cost to the investor on deposit or on withdrawal.

NEW DIRECTOR

Following the vacancy which unfortunately occurred on the Board, Mr David Kenning was elected a director. He now retires and offers himself for re-election. The Board confidently recommends him, and his legal knowledge as a Barrister at Law should be invaluable to their deliberations. The Report and Accounts were adopted, and the retiring directors, Messrs A. B. Griffiths, George Kenning and David B. Kenning were re-elected.

MITCHELL COTTS & COMPANY

GROUP'S CONTINUED PROSPERITY

The thirty-sixth ordinary general meeting of Mitchell Cotts & Company Limited will be held on April 27th in London.

The following is an extract from the circulated statement of the Chairman, Mr H. C. Drayton: The results for the year ended June 30, 1955, confirm the views I expressed in my Statement of last year regarding the continued prosperity of the Group.

The Accounts show an increase in the profit for the year of some £200,000 and I hope you will consider this figure satisfactory. After making the customary adjustments there remains a total profit for the Group of £1,510,538. Tax provisions amount to £835,000, leaving an increased consolidated profit to carry to Appropriation Account of £675,538, as compared with the 1954 figure of £612,082.

The rate of dividend on the Ordinary Shares was maintained at 25 per cent and it has been decided to make no other recommendations as to the balance of profit remaining. Accordingly, there will be carried forward £1,575,061 to next year.

There has been an increase in both current assets and current liabilities and specifically stocks and debtors have together risen by about £1,700,000. These increases may, I think, be regarded as normal and in keeping with the level of the business being done by the Parent Company and the large overseas subsidiaries. Inflationary tendencies have naturally had their effect on the increased cost of our stocks, and the necessity in several of our overseas territories to extend credit terms in order to meet the terms offered by competitors from the United Kingdom and abroad is partly responsible for the higher debtors' figure.

CAPITALISATION PROPOSALS

As a further step towards bringing our issued Share Capital more into line with the net assets which we are actually employing in the Group, it was announced last December that your Directors were prepared to use £291,600 of the Share Premium Account in paying up 1,166,400 shares and distributing to the Ordinary Shareholders in the proportion of one share for every five held. The consent of the Capital Issues Committee has been obtained. It is hoped to maintain the dividend on the increased capital.

Our Shipping Companies have shown a material improvement. Freight rates, which have become increasingly remunerative during the period, continue to be maintained at a satisfactory level.

Our Produce Division made continued progress and considerably expanded its activities, particularly in grain, pulses, oilseeds and sugar.

EXPORT TRADE

Our contribution to the export trade of this country has been well maintained. In the first six months of the current financial year our exports from the United Kingdom have increased and have exceeded the rate of £10 million per annum.

We have every reason to be satisfied with the progress reports for the first half of the current financial year. I have little doubt that you will be satisfied with our Report this time next year, which should show that your Company has continued to prosper.

BRITISH HOME STORES

RECORD TURNOVER

MR HORACE MOORE'S STATEMENT

The twenty-eighth annual general meeting of British Home Stores, Limited, was held on March 21st in London, Mr Horace Moore (the chairman) presiding.

The following is an extract from his circulated Statement for the 53 weeks to January 7, 1956:

Your Directors have pleasure in placing before you the results for last year which they consider to be satisfactory.

Profit for the period which covered 53 weeks was £1,468,223, an increase of £157,727 over last year and after Taxation £683,223, an increase of £122,727. The final dividend recommended is 3d. on the Ordinary and "A" Ordinary Units, which gives a total of 4d. per unit for the year. After providing for the net cost of the year's dividends, expenses in connection with increased capital, and allocation to General Reserve of £444,741, against £325,000, there remains to be carried forward £190,426.

Once again turnover in the year was the highest in our history, and we served many more customers than in any previous year.

We have continued our endeavours to serve to the best of our ability the members of our shopping public with constantly improving ranges of goods of sound quality and value. Our Catering and Food departments, important and expanding sections of our activities, continue to give further evidence

of the extent to which they are meeting the needs of our many customers.

DEVELOPMENT

In May 1955 we opened our new Coventry Store, followed in November by the new stores at Cardiff and Plymouth. In Coventry and Plymouth we closed the temporary stores in which we operated since the war years. We have in these cities fine modern buildings with first-class shopping and catering facilities for the public, and excellent Staff amenities. They are much larger than our older stores, giving greatly increased space for our operations. We also opened important extensions at our Henley and West Ealing stores. We are satisfied by the progress made in these additions to our business.

At Swansea it is anticipated that progress will be made in the near future. We have commenced construction on new stores at Middlesbrough, where we have not been previously represented, and at York which will replace our existing store in that city.

It is not anticipated, however, that these new projects will be completed until 1957. Also, work is proceeding on a major development in central Birmingham where we shall be represented by an important new store. Extensions of our stores at Great Yarmouth, Wakefield and Hull will be completed later in the current year. Planning work is proceeding on a number of new stores and extensions for future development.

Again it is very difficult to make a forecast of Trading in the current year. You can rest assured, however, that we shall continue to use our best endeavours to foster ever-increasing goodwill with the members of the public, and to end the year with a satisfactory result.

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 THE YEAR ENDED DECEMBER 31

	1955	1954
Net sales	\$414,080,000	\$383,782,000
Net income	\$44,128,000	\$36,515,000
Dividends declared	\$25,676,000	\$20,086,000
Earnings retained in the business	\$18,452,000	\$16,429,000
Shares of common stock outstanding (giving effect to stock split-up)	13,773,000	13,659,000
Per share of common stock outstanding:		
Net income	\$3.11	\$2.58
Dividends declared:		
Crown Zellerbach Corporation	\$1.65	\$1.33
Gaylord Container Corporation	\$1.80	\$1.57
Earnings retained in the business	\$1.34	\$1.20
Federal, state and other taxes (except certain social security taxes)	\$40,171,000	\$38,293,000
Additions to properties	\$39,697,000	\$34,398,000
Working capital	\$114,781,000	\$113,676,000
Ratio of current assets to current liabilities	3.6 to 1	4.4 to 1
Consolidated long term debt (excluding current portion)	\$55,777,000	\$60,184,000
Production:		
Paper and paperboard—tons	1,590,511	1,467,672
Lumber—in thousands of board feet	163,261	168,505
Plywood—in thousands of square feet	73,538	55,530

Copies of the annual report to December 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.

BRITISH INDUSTRIAL PLASTICS LIMITED

ANOTHER RECORD YEAR

The annual ordinary general meeting of British Industrial Plastics Limited was held on March 22nd in London, Mr E. R. Crammond (the Chairman) presiding.

The following is an extract from his circulated statement:

I am pleased to be able to tell you that the accounts for the year show for the Group a net profit before taxation of £669,464 compared with £571,257 for the previous year, which itself constituted a record.

Your Directors recommend a final dividend on the Ordinary shares of 12½ per cent, making with the interim dividend of 7½ per cent already paid, a total of 20 per cent for the year.

A sum of £100,000 has been transferred to Reserves, bringing the total of General Reserves up to £200,000. The increase in the balances carried forward in the Group's Profit and Loss Accounts amounts to £100,495. Thus, apart from the charge for Depreciation of £197,489, approximately £200,000 has been retained in the business. This figure may be compared with the charge for taxation of £337,524 and the cost of the proposed dividends, namely, £145,095.

For the year to September 30, 1955, the Group turnover was again a record, showing

an increase of 16 per cent over that of the previous year. Direct exports contributing £1,400,000, an increase of 25 per cent, and it may interest you to know that we are now trading with over forty countries.

PRICE STABILISATION

In considering these turnover figures it is appropriate also to consider prices. Since 1951 the price level of the products of the Group's chemical factories has been kept remarkably stable. Over these years the prices of certain basic raw materials have risen considerably and are continuing to rise, and wage rates for chemical process workers have substantially increased. It has only been possible to contain these increased costs by improved methods of manufacture made possible by modernising plant and equipment.

It is important that the cost of living should be held down and as our contribution, despite the increases referred to above in raw materials and other costs, your Directors intend to maintain as far as is practicable existing price levels for products of the chemical factories.

OPERATIONS

During the year the manufacture and sale of the products of the Group's chemical factories have been transferred to a new subsidiary company, BIP Chemicals Limited.

Thanks to the foresight of my predecessor, Mr Kenneth M. Chance, now our Life Presi-

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The Group's trading profits amounted to £4,130,000, and after providing for taxation the net consolidated profits amounted to £2,019,000, an increase of approximately £640,000, compared with the previous year, which figures, however, were struck after charging £355,000 for a non-recurring insurance premium under the Group's Contributory Pension and Life Assurance Scheme. Nevertheless, it is interesting to note that apart from the exceptional results of 1950-51, which were largely inflationary, the year's trading was a record in the history of the Company.

Capital Expenditure outstanding at September 30th last amounted to approximately two million pounds, and since that date we have agreed to further expenditure which must continue if our plant is to be kept up to modern standards and maximum efficiency.

Notwithstanding these heavy capital expenditure requirements and with due regard to the request that in the national interest discretion should be exercised by Boards of Directors when considering the payment of dividends, it was considered that shareholders should participate in the improved results of the past year. Your Directors have therefore decided to recommend to you the payment of a final dividend of 6½ per cent, free of tax, on the issued Ordinary Stock, making, with the interim dividend, a total equivalent to 8 1/6 per cent, free of tax, for the year on the increased capital, being an effective increase of 1½ per cent, free of tax. We consider this is not inconsistent with the general policy of dividend restraint.

OUTLOOK

While the Group's profits were maintained at a satisfactory level for the first four months of the current financial year, they have since then been adversely affected by a labour dispute in the Printing Industry,

dent, and the Company's able experts and technicians, BIP has held a commanding position in the aminoplastics field for many years, and your Directors have every confidence that it will continue to do so. Nevertheless, it is desirable to widen the scope of our activities, and to this end we have under constant survey the many developments which are taking place in plastics. Over a period of time the adoption of new processes in this expanding industry calls for more and more specialised machinery and equipment involving considerable capital outlay, but you may rest assured that all proposals are most carefully examined and that our aim is to provide as much as possible of such expenditure out of income.

All our subsidiary companies for the period under review showed satisfactory results, including BIP Engineering Limited (Bipel), which has now passed through its development stage. As you may know, Bipel, formed six years ago, is concerned mainly with the manufacture of presses and pelletisers for the plastics industry. Great credit is due to our designers of these machines which have met an essential requirement of the moulding industry and offer considerable scope for expansion.

As to the future, whilst the prosperity of the plastics industry must necessarily be dependent on that of the major industries of the country, the year to September 30, 1956, has opened well and looks like continuing so.

The report was adopted.

which has resulted in many of our customers having to close down their establishments. In consequence, overtime working ceased at most of our Mills and short-time working is now in operation at some of them. I am happy to say that the dispute has now been settled and work has recommenced today. However, the effects of the dispute will continue to be felt for a time.

As you are probably aware, the Paper Industry is to some extent dependent on other industries, many of which are now facing a reduced demand for their products and this is bound to have repercussions on the Paper Industry as a whole.

I would here mention that our Employers' Federation has recently commenced negotiations with the Trade Unions who have asked for further increases in wage rates.

On the other hand, we should keep in mind the cumulative effect of the improvements and economies arising from the continued capital expenditure of the Group, which will have an important bearing on future results. I would again emphasise that it is only as a result of our ploughing back a substantial part of our taxed profits year after year that we have been able to finance this heavy expenditure without recourse to borrowing or raising additional share capital.

Although the liquid resources of the Group at the end of the financial year were substantial and included bank balances of over four million pounds, I can assure you these resources are not out of proportion to the Group's requirements.

As the result of the acquisition of additional undertakings in recent years and their subsequent development, the basis of the Group's activities and earning capacity have been considerably broadened, and while trading conditions may be somewhat uncertain, I am satisfied we can look forward with reasonable confidence to the future.

The Chairman concluded with a tribute to all the work people and employees.

The Report was adopted.

JAMES PASCALL, LIMITED

A SOLID ACHIEVEMENT

The fifty-ninth annual general meeting of James Pascall, Limited, was held on March 28th in London.

Mr E. Cassleton Elliott, CBE, FSAA (the Chairman), in the course of his speech, said: The trading profit for 1955 shows a reduction of £110,068 from the record level achieved for the previous year. At first sight this might be interpreted as a sign not only of increased competition within the confectionery industry, but also that the Company had lost ground relatively in meeting that competition. However, far from giving grounds for pessimism, the financial results of the trading year 1955 were a particularly solid achievement, and give every cause for optimism about the Company's continued progress.

The Chairman reminded shareholders of his warning on March 31, 1954, that there were signs that the productive potential of the industry was in excess of demand and that the necessity for expenditure on advertising and on their sales organisation, in order to meet the inevitably increasing competition,

would render it difficult to maintain the sales and profit levels of that year. In actual fact, as he told shareholders last year, the full impact of competition did not fall upon the Company in 1954; nevertheless he again repeated his warning.

In the year just completed, the national consumption of chocolate and sugar confectionery decreased, competition grew more intense, and the need for heavy expenditure on their sales organisation and on advertising materialised. Even so, he was able to report not only that their total tonnage sales and value continued to increase, but that the net profit before taxation was, in fact, greater than that for the year 1953. The actual comparison being—1955, £364,831; 1953, £343,449. In point of fact, the position was still more favourable than appeared immediately from those figures. They had had to absorb a heavy loss on cocoa and cocoa butter (£93,000) due to declining prices. But for this factor, their net profit before taxation last year would have closely approached the record year of 1954.

A GOOD AUGURY

The Chairman continued: I think one can view the future with reasonable optimism

THE ECONOMIST, APRIL 14, 1956

Our sales for the first few weeks of 1956 are running well in excess of those achieved over the same period in 1955; in an uncertain economic outlook it would be unwise to assume too much, but I think we may take this as a good augury.

Our export trade was well maintained in 1955, and I am particularly glad to report a significant increase to dollar countries, where the value of our sales rose by not less than 33 per cent. I am also glad to report a continued rise in our royalties on Pascall's products manufactured abroad.

The profit on trading was £485,964 as compared with £598,535 last year.

The surplus of current assets over current liabilities is £564,047 as compared with £635,831.

After commenting on his decision not to seek re-election to the Board, Mr Cassleton Elliott reviewed the developments and changes which had taken place since he was appointed Chairman on December 14, 1952, when they had a net loss of nearly £34,000 and were burdened by an overdraft which was immense in relation to the turnover at that time.

The report was adopted, and the Ordinary dividend of 50 per cent was approved.

ECONOMIST, APRIL 14, 1956

APPOINTMENTS

SUDAN GOVERNMENT

The Ministry of Education requires lecturers in the following departments in the Khartoum Technical Institute:

- (a) Civil Engineering.
- (b) Mechanical and Electrical Engineering.
- (c) Commerce.

A degree in Civil, Mechanical or Electrical Engineering or technical equivalent, e.g., A.M.I.E.E., A.M.I.C.E., A.R.I.B.A., etc., is essential for (a) and (b). Teaching experience in a similar appointment would be an advantage.

A degree in Economics or Commerce or equivalent qualification in Accountancy is essential for (c). Applicants must be able to read, write and speak English or Arabic up to a standard which will enable them to carry out the duties of the post. Minimum age 30 years.

Successful candidates for (a) and (b) will be required to teach their subjects up to Higher National Certificate and will also be required to supervise certain workshop and laboratory activities. Successful candidates for (c) will be required to teach their subjects, Accountancy or Economics up to professional standards.

Appointments will be on Short-Term Contract (with bonus) for a minimum period of three years. Salary scale ranges from £2,107.5 to £3,167.5 per annum. Starting pay will be determined according to age, qualifications and experience. A cost of living allowance, which is reviewed quarterly, is payable. Office allowance of £12.50 is also payable on appointment. Free passage in appointment.

Please write, preferably on a postcard, for application form and further information to: Sudan Government Mission, Sudan House, Cleveland Row, St. James's, London, S.W.1, quoting "Senior Assistants 1957" and name and address in BLOCK LETTERS.

MARKETING OFFICER required by the NIGERIA FEDERAL GOVERNMENT for Marketing and Exports Dept. for one tour of 15-24 months, in first instance, to visit the Federal States of Nigeria, with a salary scale (including inducement allowance) of £700 rising to £1,410 a year, with permanent, or £840, rising to £1,530 a year, on temporary basis, with Gratuity of £100-£150 a year. Outfit allowance, £60. Free passages for officer and wife. Assistance towards the cost of children's passages, and grant on £6-£150 annually for maintenance in U.K. Liberal leave on full salary. Candidates, preferably under 45, must have a University Degree (preferably in Commerce or Economics) and possess administrative ability. For further particulars and information about duties, write to the Director, Marketing, Federal Government, Lagos, N.W. State, and name in block letters, full qualifications and experience, and quote M/B/43051/EN.

ACTUARY

The Great Eastern Life Assurance Company Limited, Singapore, require an Assistant Actuary. Commencing salary dependent on experience and qualifications, but not less than £2,100 per annum.

The appointee will be required to contribute 10 per cent of his salary to the Staff Provident Fund and the Company will contribute a similar amount. A furnished house will be provided at a cheap rental.

The Company has for some time paid annual bonuses to its staff, the bonuses for the last three years being two, two and three months' salary respectively.

The appointee will have good prospects of promotion to the position of Actuary at an early date with an increase in salary.

Reply to: Great Eastern Life Assurance Company Limited, Box 797, Singapore.

A LARGE MANUFACTURING COMPANY, with unusually wide interests, including textiles and plastics, has a vacancy in its expanding Research Department, which could lead in a short time to a position of prime executive responsibility. Applications are invited from candidates with first-class scientific qualifications, coupled with experience in both active research and research administration, not necessarily in industry. Appointment carries first-class salary and membership of pension scheme.—Box 380.

CHARTERED ACCOUNTANT

A Chartered Accountant, under 35 years of age, wishing to widen his experience while continuing his lucrative employment, is invited to submit an application for a progressive appointment with a well-known Industrial Company. Only those who have held responsible positions in industry will be considered. Knowledge of Standard Costing, Budgetary Control and modern accountancy practice is essential. The post involves considerable responsibility, and carries a corresponding salary. Applicants are invited to send full details of qualifications and industrial experience, in confidence, to Box 391.

FLOROLOGICAL OFFICE. SCIENTIFIC OFFICERS.—The Civil Service Commissioners have applications for permanent posts. Candidates are advised to apply for posts in 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 of meteorology before being assigned to a research or forecasting establishment. Candidates with national experience, in particular, will be given priority. Service obligations can be commuted from the R.A.F. for forecasting duties at R.A.F. stations. Meteorological Office (M.O.10), Air Ministry, Kingsway, London, W.C.2.

Candidates must be between 21 and 28 during 1956 (up to 31 for permanent members of the civil service). Other classes: (a) First- or Second-Class Honours degree, preferably in physics or mathematics. Salaries (London rates), £513-£925. Women's scales lower, but being improved under equal pay scheme. Some lower rates in provinces. Opportunities for promotion to Senior Scientific Officer (£1,070-£1,245), and higher posts.

Application forms from Civil Service Commission, Scientific Branch, Burlington Street, London, W.1, quoting No. 852/56. (Met.)

CHAIRMAN'S SPEECH

The Chairman, in proposing the adoption of the Report and Accounts for the year ended December 31, 1955, said that the Society had had a very successful year: total funds, at £10,565,183, showed an increase of £667,334, and the sum of £1,873,262 had been advanced to assist house-purchasers. Share capital had increased by £884,521 to a total of £9,246,666. A strong cash position was shown at the end of the year, the balance on hand, at £433,208, being up by over £100,000 as compared with the position at the end of 1954. Reserves totalled £230,066 the sum of £20,000 having been added General Reserve, and the carry-forward, £10,068, maintained at virtually the same figure. Concluding, the Chairman expressed the pleasure felt by his colleagues and himself that Sir John Ure Primrose, DL, JP, had found it possible to join the Board of the Society during the past year.

The Report and Accounts were adopted and the retiring Directors re-elected.

BIRMINGHAM CITIZENS PERMANENT BUILDING SOCIETY

ANOTHER RECORD YEAR

The Annual General Meeting of the Society was held at the Imperial Hotel, Birmingham, on March 7, 1956. The Chairman, Mr W. H. Madin, presided and in moving the adoption of the Report and Accounts said:

The year under review is one which again records excellent progress. The total amount invested with the Society from Members and Depositors during 1955 was £1,120,242, and after allowing for the withdrawals there is a balance of £4,670,774 due to Share Members, an increase of £449,635, and £1,126,339 due to Depositors. Interest at the rate of 3 per cent as from September 1, 1955, tax paid by the Society, has again been paid to the Shareholders, equivalent where tax is paid at the rate of 8s. 6d. in the pound, to a gross return of £5 4s. 4d. per cent.

Advances during the year amounted to a record of £1,332,060. The balance now due was £5,504,348, an increase of £478,639. Applications to finance new houses and from sitting tenants formed a substantial part of the mortgage advances. Investments in Government Securities and cash at bank amounted to £515,192, which represents 8.5 per cent of the total assets. The Profit and Loss Account shows a gross income of £267,017. After allowing Income Tax and Profits Tax £62,731, management expenses £29,344, and other outgoings, the net profit was £147,367, which together with £19,041 brought forward from the previous year has been allocated as follows:

Interest to Shareholders	£117,481
Transfer to General Reserve	20,000
Mortgage Contingency Reserve	5,000
Balance now carried forward	23,927
	£166,408

Total Reserves and carry forward are £233,928. The Assets now amount to £6,938,640, an increase of £477,325.

The Report and Accounts were adopted and the retiring Directors, Messrs H. L. Butler and J. B. Chatterley, re-elected.

ORIENT STEAM NAVIGATION COMPANY

RIISING COSTS A MAJOR PROBLEM

The fifty-sixth Annual General Meeting of Orient Steam Navigation Company, Limited, will be held on April 17th in London.

In a statement issued to shareholders with the accounts for the year ending September 30, 1955, the Chairman, Mr A. I. Anderson, said that the operating profit was £996,568 after making a transfer to Contingency Reserve and providing for depreciation. This, although an improvement on last year, was disappointing, for while the ships had in fact steamed 16 per cent more miles than in the previous year, increased costs had brought about a marked deterioration in results during the second half of the year.

Thus while at the beginning of the year the earnings/costs ratio had been on a sound economic basis by the end of the year the advantages secured by a fare increase introduced nearly two years ago had virtually gone. Any such fare increase always represented the very least necessary in the light of costs ruling at the time. To allow for any future rises in costs was to accelerate the advance of inflation, but there was therefore always a tendency for charges to lag behind costs.

Turning to the future, Mr Anderson said that the new 40,000 ton, 27 knot ship it was proposed to build was the cheapest way of providing the same annual passenger lift as that provided by the two oldest ships in the fleet. Apart from the saving in initial capital expenditure, there was also a 20 per cent reduction in the manpower required. The decision to build had been based on confidence in the future of the large passenger ship, and experience indicated that air transport was more likely to produce new passenger traffic than deplete the existing traffic.

To guard, however, against any possible slump in passenger traffic, particularly now that cargo earnings were becoming increasingly less important in faster ships, the Company had decided, as had others associated with the P & O group, to build tankers. It was intended to order one tanker of 18,000 tons deadweight and one of 36,000 tons.

DUNFERMLINE BUILDING SOCIETY

EIGHTY-SEVENTH ANNUAL GENERAL MEETING

A NEW RECORD: FUNDS EXCEED £10 MILLION

The eighty-seventh Annual General Meeting of the members of Dunfermline Building Society was held on March 20th in Dunfermline, Mr Andrew Crockett, Chairman of the Society, presiding. An apology for absence, through indisposition, was intimated on behalf of the Society's President, the Right Honourable The Earl of Elgin and Kincardine, KT, CMG. In the course of his presidential address, which was read in his absence, his Lordship dealt with the problem of interest rates and indicated that in his opinion some of the difficulties now being encountered by the movement might be overcome more easily if greater attention were given to encouraging investment by small savers. It might be argued that in recent years too much money had come into the movement from a more monied class of investor.

CHAIRMAN'S SPEECH

The Chairman, in proposing the adoption of the Report and Accounts for the year ended December 31, 1955, said that the Society had had a very successful year: total funds, at £10,565,183, showed an increase of £667,334, and the sum of £1,873,262 had been advanced to assist house-purchasers. Share capital had increased by £884,521 to a total of £9,246,666. A strong cash position was shown at the end of the year, the balance on hand, at £433,208, being up by over £100,000 as compared with the position at the end of 1954. Reserves totalled £230,066 the sum of £20,000 having been added General Reserve, and the carry-forward, £10,068, maintained at virtually the same figure. Concluding, the Chairman expressed the pleasure felt by his colleagues and himself that Sir John Ure Primrose, DL, JP, had found it possible to join the Board of the Society during the past year.

The Report and Accounts were adopted and the retiring Directors re-elected.

THE UNIVERSITY OF MANCHESTER

Applications are invited for two posts of ASSISTANT LECTURER IN ECONOMICS in the Faculty of Economic and Social Studies. Salary on a scale £550 to £650 per annum. Membership of the F.E.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than April 30, 1956, to the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

(University of London)

Applications are invited for the Webb Research Fellowship for research in one of the political, economic, administrative or social fields in which the Webbs were interested. The Fellowship, tenable for one year with a possible extension to two years, will be of value not exceeding £1,000 a year, according to qualifications and experience. Men and women will be eligible without limit of age. Candidates need not be graduates of a university, but must be qualified to undertake advanced research in a selected subject.

Further particulars may be obtained from the Secretary, London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. Closing date for the receipt of applications, May 31, 1956.

CIVIL SERVICE COMMISSION

Special Departmental Classes (H.M. Inspector of Taxes; Cadet Grade, Ministry of Labour and National Service; Probationary Assistant Postal Controllers in the Post Office; Grade III Officers, Ministry of Defence). Method 1.

Statistical Class (Home Civil Service). The closing date for the receipt of completed applications for the above classes is May 31, 1956. Age: at least 20 and under 24 on August 1, 1956, with extension for Forces service and, for Statistical Class only, up to three years for approved post-graduate experience.

For particulars and application forms write (preferably by postcard) to Secretary, Civil Service Commission, 6 Burlington Gardens, London, W.1, quoting No. 17/20/56 (for Special Departmental Classes); No. 21/56 (for Statistical Class).

A WELL-ESTABLISHED Industrial Company requires a young Chartered Accountant, with Costing experience, 26 to 28 years of age. A salary up to £1,000 per annum is offered, but the successful applicant will be given every opportunity to progress to more responsible posts on merit.

The prospects are outstanding. Please send details of qualifications and experience to Box 390.

ACTUARIAL CLERK.—The General Life Assurance Company has a vacancy in its Head Office in London for a Student who has completed at least Part 2 of the Institute of Actuaries' examinations. Generous salary scale and good all-round training given. Excellent prospects in an expanding organisation for an applicant with character and initiative. Pension and Widow's Fund.

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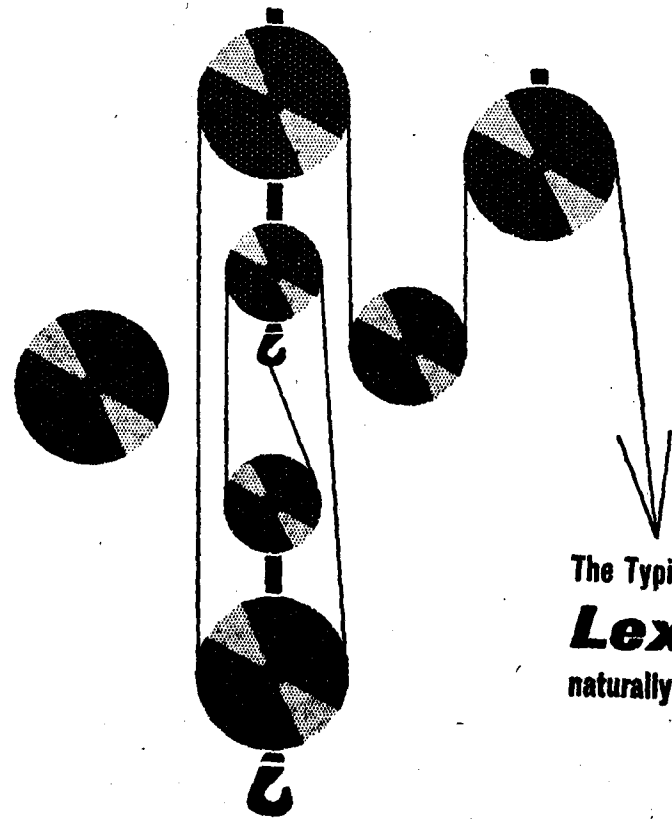
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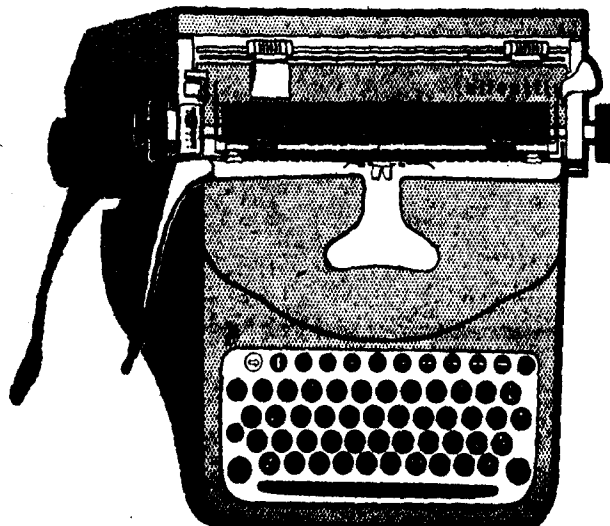
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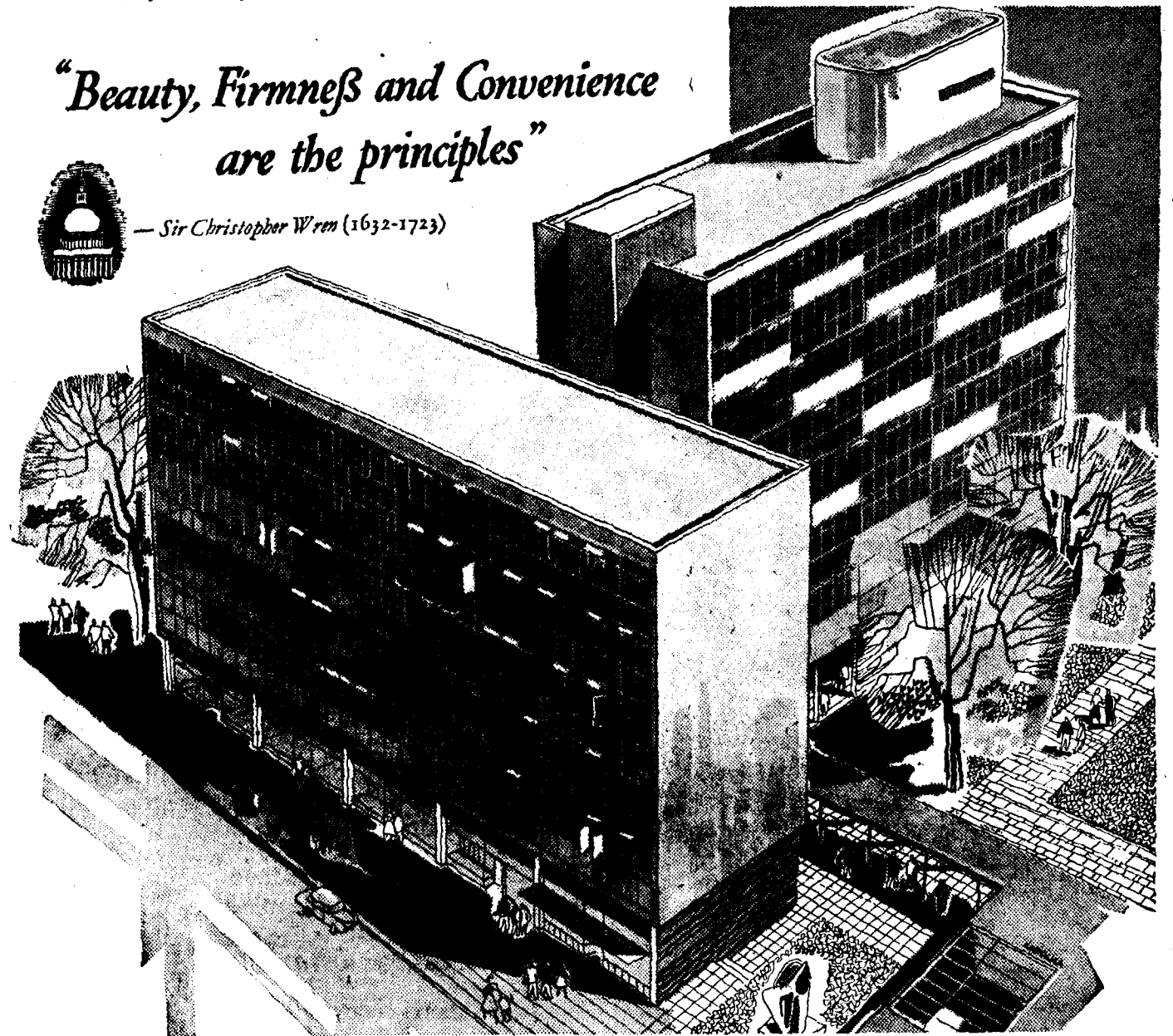
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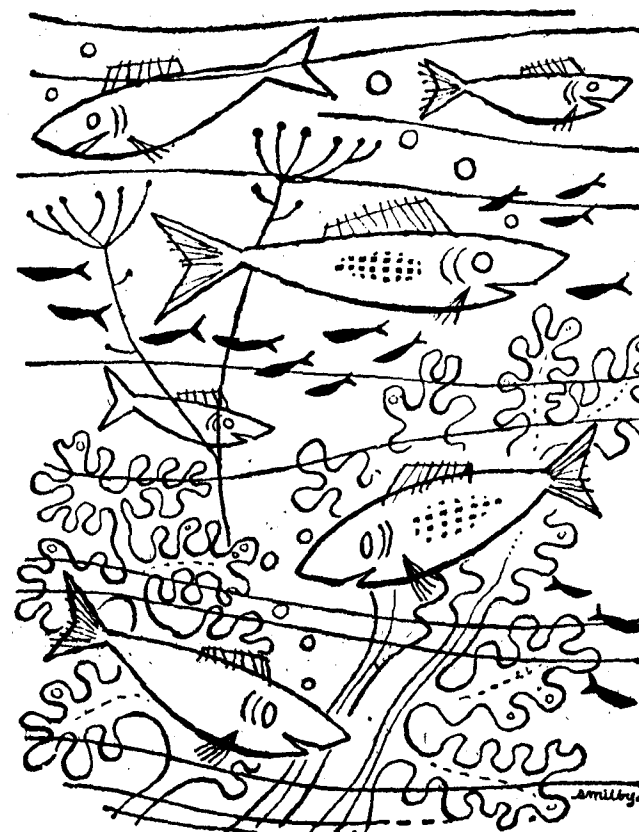
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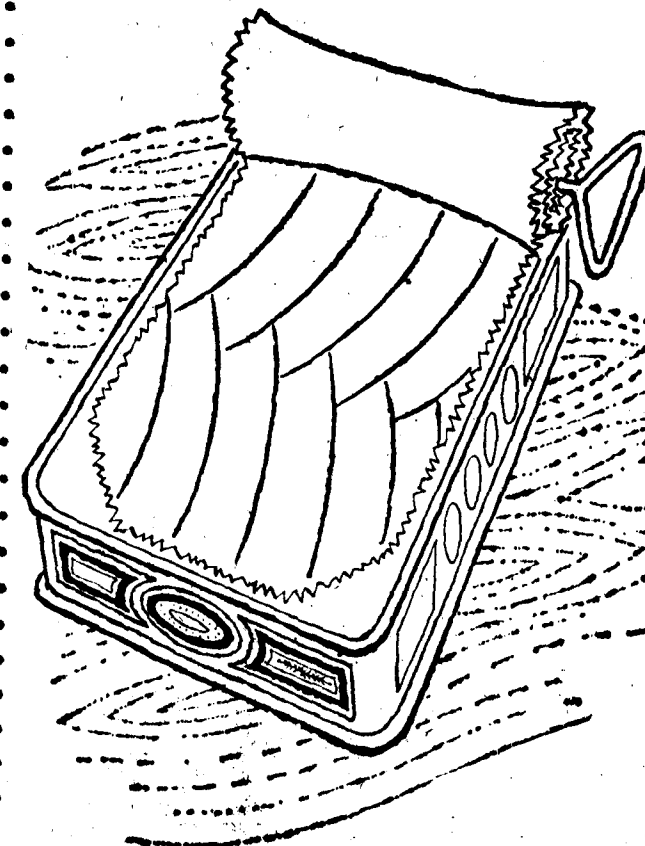
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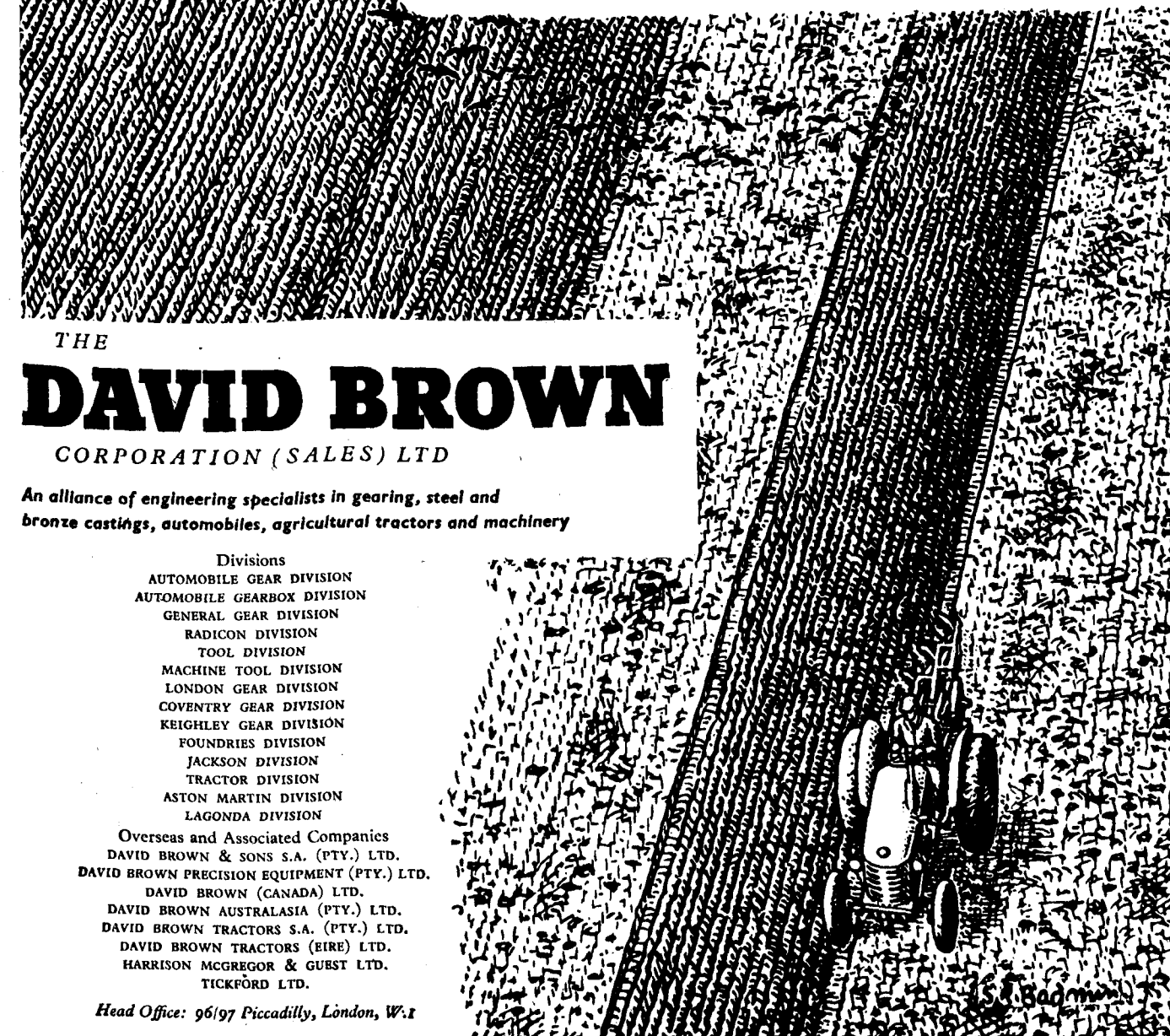
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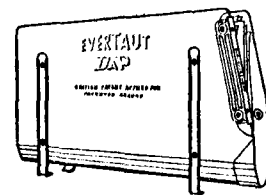
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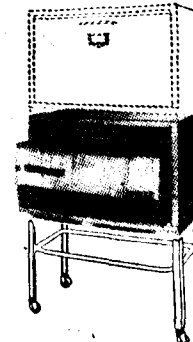
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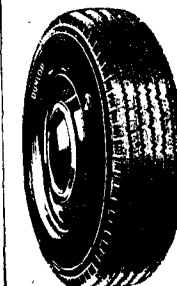
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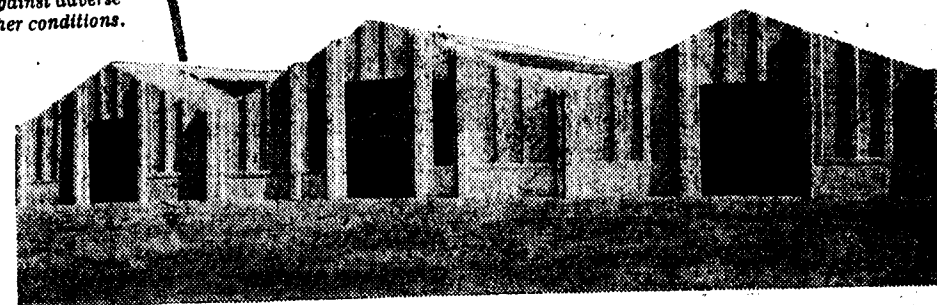
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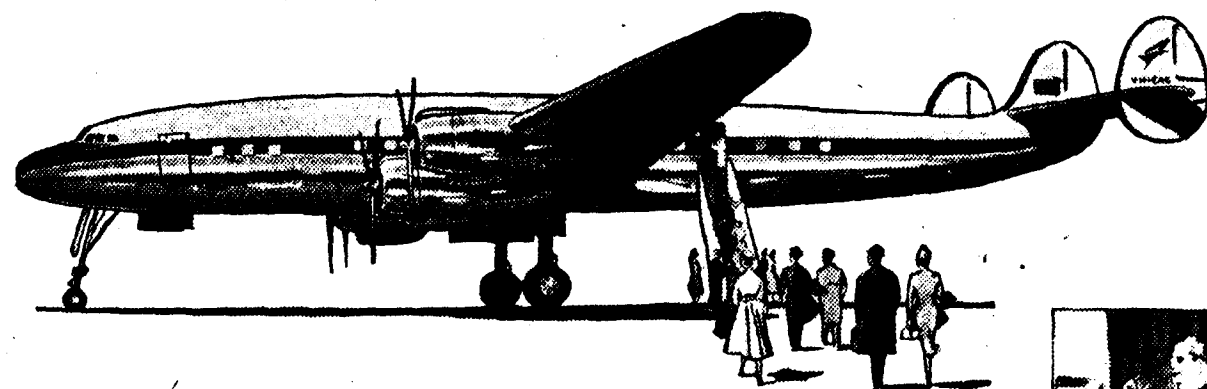
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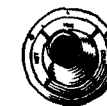
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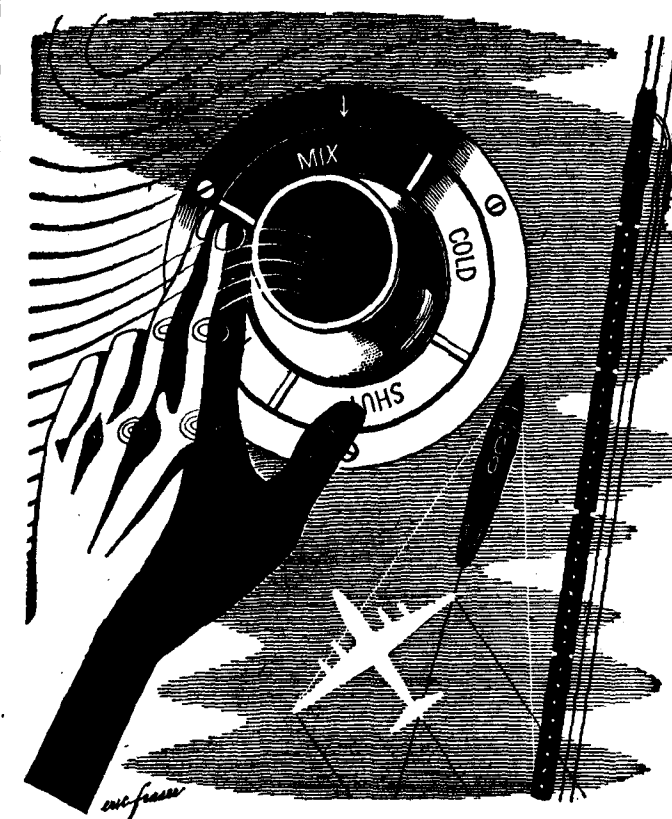
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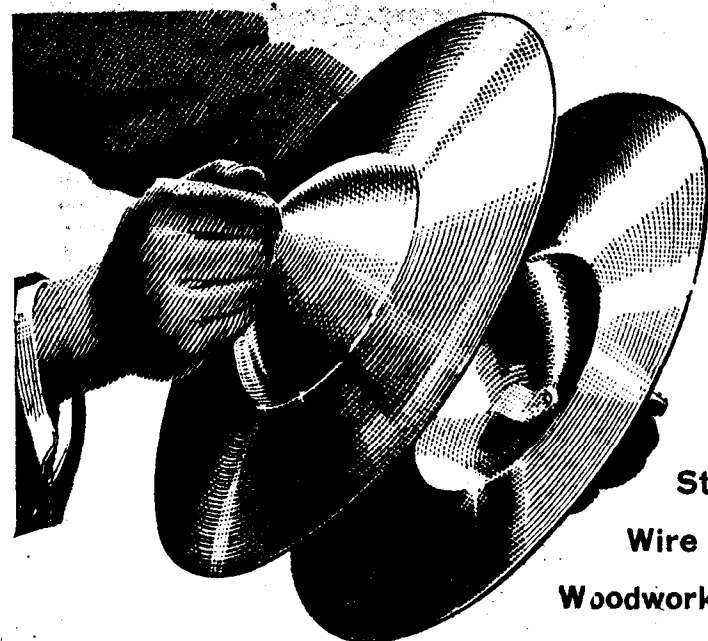
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IN MATTERS OF sound measurement the word 'phon' will crop up very often, because this is the unit of measurement which acoustic engineers use to assess the loudness of sounds.

Let's look at a few examples of noises expressed in terms of phons. A pneumatic tool nearby would have a phon value of about 105, whilst a quiet street gives only 45; in an express train the reading would be about 80, compared with 20 for a rustle of leaves. In a boiler-making shop, the high rating of 110 makes the noise almost unbearable.

The human ear compares noises on a logarithmic scale so that a noise of 70 phons sounds 50% below one of 80 phons.

Those examples are perhaps sufficient to show the extent to which noise is with us most of the time. But sound, like heat, must be kept in its place, and much can be done in factories and offices to ensure that excessive and unwarranted noise is reduced to a rea-

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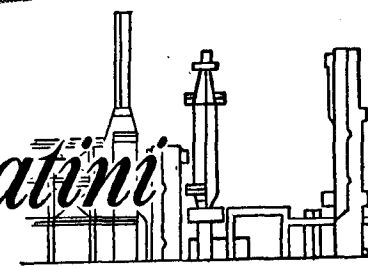
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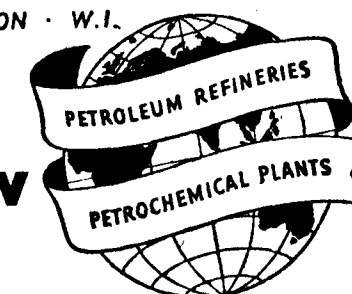
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Once again the Kellogg organisation is privileged to announce its participation in another ethylene-from-petroleum plant for Montecatini of Ferrara—the largest Chemical Manufacturing concern in Italy. In the manufacture of ethylene, process engineering by the Kellogg organisation offers many advantages over conventional systems and guarantees optimum yields and purity from economically available feedstocks. The key is the Kellogg steam-pyrolysis process. Used successfully in this country for the cracking of heavy naphtha, it permits ethane and propane pyrolysis plants to be designed for higher yields: makes possible the economic production of ethylene and other olefins from primary flash distillates, residuals, and other low-value products. The Kellogg organisation has accumulated considerable cost data on ethylene manufacture. Interested firms are invited to review these data with Kellogg International Corporation.

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The Economist

FOUNDED 1843

APRIL 21, 1956

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Missed Opportunity

MR MACMILLAN has produced a budget of safety first and very little after. The proposals are analysed in detail on page 283. It is probable that, simply by playing safe with his surplus, the Chancellor has ensured that 1956 will be a good year for Britain's balance of payments. It is possible that, if his campaign for public savings succeeds, 1956 will be a year in which there is some check to the constant rise in British wages and prices. These are the essential and courageous achievements.

The maggots in the apple are the particular reliefs, imposts and gimmicks that Mr Macmillan has chosen—and still more, the measures that he has put aside for safety's sake. It is clear what his guiding principle has been: he has decided that courage in keeping up the surplus is courage enough for the day; thereafter the measures in the budget are those that will do least harm politically rather than those that will do most good to the national economy. In this policy of non-provocation, Mr Macmillan has missed the point that if there is a check to cost inflation this year, it will be solely because employers have not got the money to accept wage demands; it will not be because trade unions have not got the gall to present them. Above all, the Chancellor has done nothing to mitigate the one disturbing feature of the price stability campaign—which is that Britain is likely to get a much smaller increase in production in 1956 than in 1954 or 1955.

The central feature of this year's disinflation, if the budget speech is to be believed, is the hope that Government expenditure will be cut by no less than £100 million in the current year. There will be no complaint about this; there will only be case-hardened suspicions about whether economies which cannot be specified will in fact be made. Perhaps this cynicism, frankly stated by detached observers, will be the best spur to action. But the Government must realise that the grounds for cynicism exist. Apart from the abolition of the bread subsidy, no major policy decisions have been taken, and there has been no hint that any are intended; the impression given is that the departments, especially the defence departments, are to search for their economies by deletions in the margin.

Mr Macmillan's other "disinflationary" measures are two small increases in taxation and a savings drive. The particular increases in taxation have apparently been chosen on the extraordinary and unexplained principle that the burden should be precisely divided between direct and indirect taxes. They look rickety as well as mysterious. It is hard to feel confident that the yield of the new tobacco duty may not have been overestimated this time; it is admitted that the increases in profits taxes will bring no yield in the current year, and certain that they will have no effect on spending in the years to come. This second Conservative increase in profits tax in six months is, in fact, merely an attempt by Mr Macmillan to steal Labour's clothes—and he has always looked slightly ridiculous in a cloth cap.

The savings drive is a very different matter; it has long been *The*

Economist's favourite child, the essential pre-requisite to salvation by high investment. But here, too, Mr Macmillan has tended to ignore an awkward fact—the salient fact that he has ignored throughout his budget. It is impossible to get an uprush of real savings without creating the right, positive conditions, and it is impossible to create those conditions (which are also the conditions of expansion, risk-taking, incentive and initiative, harder work and higher earnings) within the present tax structure, to say nothing of present tax levels. Only one feature of the savings drive recognises this, and it is therefore by far the most important measure. The Millard Tucker proposals for pensions for the self-employed may secure a genuine diversion of cash out of consumption into superannuation schemes. The other new devices will to a large extent merely divert funds from existing savings media. This is not entirely unimportant, particularly as the most unorthodox of the new channels (which is discussed in a note on page 246) may divert quite a lot. The new lures may therefore have a beneficial effect in reducing bank deposits and bank liquidity; but to forecast that private savings as a proportion of personal income will not rise significantly as a result of them seems a safer bet than any offered by Mr Macmillan's premium bonds.

When this has been said, the task of broad editorial comment is largely done. This is a budget that should not lose Britain any wickets, but also will not make it any runs. This is particularly unfortunate at this juncture. The object of the Chancellor's new policy, to repeat, is to secure greater stability of prices at the risk of some sacrifice in terms of production. Because this impulse to new production from the side of demand has rightly been moderated, it was the more important to increase the impulse from the side of incentives to work. The

budget should, while still preserving the surplus, have increased indirect taxation (including a move towards a sales tax) and reduced direct taxation (particularly in the ranges where impositions upon marginal income are high).

That opportunity has been missed. Apart from a few technical amendments, only two steps have been taken in the direction that the Royal Commission showed the Chancellor that he should go. One of these is the implementation of the Millard Tucker proposals; the other is the increase in family allowances for large families, which like the rest of the budget is politically neutral but is in this case also socially wise. All the other proposed reforms, for increasing incentives and offering equity to the middle classes, have been neglected. The only encouragement to production in this budget is that to the production of more children; the only politically possible incentives in the new Conservative philosophy, the cynic can now say, are incentives to gambling and procreation.

The most vocal criticism of this budget may be that Mr Macmillan's premium bonds will encourage people to think that they can get rich quickly; the most potent is that his whole policy may condemn the nation to get rich too slowly. When the Chancellor took office, this journal expressed the hope that he would not fall under Keynes's famous curse for the economic novice: we prayed that everything he did should be decided for its own sake, and not by reference to the effect that it might have on something else. In this first budget Mr Macmillan has fallen under the spell. As a result, the whole question of tax reform—and presumably also of rent reform—must now be postponed until nearer the next general election; and this runs the risk that some of the reforms will never be attempted at all. Shake this budget how one will, the dynamo is not there.

Five Months for Algeria

IT is tragic that the one French government that might in other days have taken action to prevent the Algerian rebellion should now be saddled with the consequences of a generation of colonial inertia—so heavily saddled that many of its own followers blame it for failure to meet its pledge to end the fighting. The Council of Ministers has been obliged to take the painful and politically risky decision to authorise the call-up of nearly 100,000 men now, and of the same number later. If the decision is carried out in full, the French forces may be brought up to a strength approaching 400,000 in Algeria and not far short of 600,000 in the whole of North Africa. The mobilisation of conscripts in France will then be more extensive than at any time since 1940. Measures of reorganisation, adapting the forces in Algeria to the guerrilla warfare there, have made them more effective for their military task. The

parties in Paris, with the exception of the Communists and of a strong socialist minority, have accepted the mobilisation as inevitable and necessary, though perhaps they have accepted it only for the moment; restiveness will spread if anything more than a short, sharp campaign has to be faced.

Weeks of heart-searching in the cabinet reflect the division of conscience in the country: the feeling that France faces her "last chance" struggles with the suspicion that this is just another colonial war in disguise. The dissenting ministers (all of whom approved the dispatch of conscripts to Algeria) have given the government a month's grace to modify its policy before they resign. This would not automatically spell the government's fall, but it might precipitate a division among the socialists and would certainly make the cabinet depend increasingly on the right wing. The

future of French, and western, relations with the whole of North Africa depends on the outcome of the developing debate.

Official policy, expressed by MM. Mollet and Lacoste, is by now well defined. The first aim is to reverse the current, up to now in the rebels' favour, and to pacify at least parts of Algeria zone by zone. Fair elections would be held in the pacified areas, beginning on a municipal basis and later proceeding to the election of Algerian deputies, probably to the French Assembly, with whom would be negotiated the statute that would "permanently" decide Algeria's future. The statute would recognise Algeria's separate "personality" but not its independence.

The two main criticisms of this policy have both come from the left. The first, formulated by the Communists, by neutralists like Claude Bourdet, the editor of *France Observateur*, who was recently arrested for a day, and by socialists like Gaston Defferre, the Minister for Overseas Territories, is that the government was elected to negotiate a peace and ought to do so. The reply is that there are no "valid spokesmen" of the Algerian people with whom to negotiate, and that the rebels are asking for independence, which "no French government could accept." The fact that the rebels administer large areas and levy taxes is not allowed to affect the argument. It is maintained that a mere 15,000 rebels are terrorising the 8 million Algerians, for whom they cannot speak; only elections can provide "valid spokesmen." These views are sincerely held. Yet they would not have prevailed by themselves; only the presence there of a million and a quarter Europeans can justify the raising of conscripts on the present scale. M. Mollet has repeatedly made the distinction between Tunisia and Morocco, the protectorates, to which the government has given independence, and Algeria, where the settlers are too numerous and too close to French hearts for their fate to be left to the Moslems. It is essentially in order to protect the settlers that the government will not negotiate with the rebels, but seeks instead to regain control of events by the massive deployment of force.

The second line of criticism is most authoritatively represented by M. Mendès-France, somewhat outstripped by the journalistic commandos of the weekly, *Express*. To this group, too, negotiation is the aim, but it holds that the government must first break the settlers' stranglehold on administration, particularly the local administration, in order to convince the Moslems that the French mean to respect their rights. M. Lacoste's reply is that elections to local councils are impossible in the present disorder; and that he himself would have to choose Moslems to head them. Would not this be the surest way to compromise the moderate men with whom France may later wish to talk? But he also says that his policy goes as far as is possible without arousing the settlers as well as the Moslems: "We cannot have both on our backs at the same time," especially, he argues, since the agrarian reforms which he

proposes will hit some settlers hard. These will include the expropriation for the benefit of landless Moslems of holdings bigger than 120 acres which are held to be capable of irrigation. The settlers are all armed, and it is certain that M. Lacoste fears civil war in Algeria. Here again the prime motive behind the pacification policy is, in practice, not to provoke the Europeans too far.

Yet pacification is a gamble. M. Lacoste himself has given his policy only five months in which to reverse the trend of events. If the Moslem holy war of liberation goes on beyond the five months in Algeria, the westward-looking regimes in Morocco and Tunisia may be disastrously undermined. In France itself it is hard to imagine public opinion being prepared to face "another Indo-China." There is the risk that the French would then be compelled once again to accord independence under duress. Five months is a very short time. Napoleon had a plan of retreat whenever he went in to the attack. This honourably civilian government has none.

★

Were the gamble lost, the best hope for the preservation of the government and the regime would be the growth in the centre parties of a willingness to grant Algeria nationhood, like Morocco. At present M. Mollet's government could find broad enough backing for such a policy only by seeking Communist support. Morocco was not so close to the hearts of the right; and last year there were non-Communists on the government's left to push for concessions. Today this is not so. The government itself is left of centre. If there is to be a change of mood, only the government can lead it. M. Lacoste is in danger both of failing to win over the Moslems, and of fencing the government within limitations which inhibit its range of action and force it into increasingly uncongenial attitudes. The most liberal of policies has an illiberal smell when it is imposed primarily by force. M. Lacoste's social reforms will take time; his administrative reforms (a Moslem has, for instance, been appointed to head the Moslem War Veterans department of the Government-General) are slight. What is visible now is the use of the army.

It is this restriction of the French government's field of vision which is alarming. It would be unrealistic to ask the government to grant Algeria independence now. Such a policy would split France down the middle and lead to the formation, possibly in blood and certainly in bad blood, of a Popular Front. In Algeria, settlers in despair would take the law into their own hands.

Yet it is now impossible to envisage a future status for Algeria other than in some form of federalism or independence. Moslem blood is up, and Moslem imagination has been captured by visions of a federated

North Africa—a proposition lately advanced both by the most powerful man in Morocco next to the Sultan, and by the extremist Algerian *Front de Libération Nationale*. If Paris is ever to catch up with the Algerian Moslems' mood, it will need to advance some proposition that will capture their imagination equally. Some kind of federal proposal that would include at the same time France, and an Africa federated all the way from Rabat to Tunis, might not be impossible. There are precedents in other federations for areas predominantly of one race having their separate powers of local government, but all uniting in a central government for certain major purposes. Even the FLN maintained, in a Tunisian paper last weekend, that there were still "some liberal Frenchmen" with whom they could talk.

No one in Paris yet sees the solution that will finally prevail, but it cannot be peacefully worked out without finding some way of marrying the Moslems' desire for independence with a "statute" safeguarding the Europeans from a tyranny by majority vote. The political obstacles are enormous, the economic ones little less great so long as it continues to be European enterprise that provides the bulk of the revenue. But some such solution must be sought if the French are not to insist on a degree of privilege for the Europeans

that would make agreement with the Moslems impossible.

One of the main stumbling-blocks in Algeria is the lack of political sense both in the rebels and in the settlers. But in France, too, latent hysterias would be reduced if real French interests were defined more coolly and certain persistent fears exorcised: the ruin of the settlers; the ruin of the French economy; more dramatic still, the ruin of France as a major power. The first problem is real; but the technical superiority of the settlers is such that their future is assured if prolonged and bitter war does not carry race hatreds beyond the point of no return. The same can be said of French commerce, since Algeria needs France as a market for her wine and oranges, and as a source of machinery, far more than France needs Algeria. France could even be strengthened by a change in relations with Algeria as long as the French can maintain their contacts and trade in North Africa—and always provided that the adverse turn of fortune does not drive the country into a hard shell of mediocrity and isolation on the model of Spain under General Franco. Algeria is France's "last chance" only if the situation worsens till there is nothing left to salvage but hatred and regret. France should have wept before for these occasions, as Britain should for Cyprus.

The Feminists Mop Up

IT is a hundred years since a group of feminists led by Barbara Leigh Smith set up a committee to collect petitions in support of a Married Women's Property Bill. The Bill failed, but the organised women's movement—as distinct from the efforts of individual women—had begun. By 1955 the last bastion of real public interest was breached, when equal pay in the public service was promised in seven annual instalments. The feminists are now engaged—very busily—in mopping-up operations.

The movement consists of a large number of women's societies, each with its own aims. Seventeen of these are represented on a body called the Status of Women Committee. This co-ordinates their common work and has a programme demanding eight legislative or public administrative changes:—

1. Equal pay for equal work in the public service. Now that the justice of equal pay is admitted, it is argued, economic expediency can be no justification for delaying it six years longer.
2. Women peers—a logical development of women's political rights.
3. The repeal of the law against solicitation, which makes it possible to convict "a common prostitute" for words or actions that would not be an offence if committed by anyone else.
4. A change in the law which aggregates a woman's earnings with her husband's for tax purposes—so that

professional women are lucky if they earn enough to pay a charwoman.

5. Equal opportunity in employment, notably by the repeal of protective legislation under the Factories and other Acts. Women's hours of work and overtime are limited, and they may not do night work or work on Saturday afternoons and Sundays, so they cannot get the enviable rates paid at such times. The feminists object to women being lumped together with young persons as being unfit to decide how much extra, heavy, and dangerous work they should do. Under the heading of equality of opportunity in employment they also ask the right to enter the Church.

6. Equality under national insurance. It is certainly a waste of public money and of womanpower that women should be retired five years earlier than men, although they live on the average five years longer. The committee also wants the same benefits for married women who insure themselves as are paid to single women.

7. Revision of the law about the married woman's domicile, which is equated for legal purposes—in nullity, divorce or separation suits—with that of her husband.

8. Equal guardianship of children. In common law the father is the guardian. A child's passport requires only his signature—which is very convenient for paternal kidnappers.

Among the proposals that the Status of Women Committee has wisely not incorporated into its programme are those about the division of family income. The Married Women's Association wants an enactment

of this kind; it thinks that provision for the home and family should be considered by the courts to be the first call on the pooled income of husband and wife, and that the surplus should be divided equally between them. A few women actually want a salary paid to the wife—though it is hard to imagine anything that would more effectively lower her status. The grievance that these proposals are meant to remedy is, admittedly, very real. As wages rise, housekeeping allowances often do not; and there is still many a wife struggling to maintain the home and family on an absurdly disproportionate pittance, completely ignorant of what her husband really earns. Some hard cases might be avoided if the signature of both husband and wife were required on income tax returns; there seems to be everything to be said for such a reform. But legislation to regulate the very personal and diverse spending arrangements of individual families is surely out of the question.

There is a much better case for another proposal of the Married Women's Association: that when a man fails to maintain his wife and family or illegitimate child, it should be possible, on a court order, to get a prescribed amount deducted by his employer from his pay. This presents some difficulties, but is not impracticable because it is done in Scotland. As a result Scottish prisons have hardly a single offender of this type, whereas in England and Wales, since the war, the number of men sent to prison for failing to comply with maintenance and affiliation orders has varied between 3,500 and 4,000 a year—a heavy burden on the state, not only in prison costs but also in national assistance to the abandoned families. This type of prisoner would presumably be more common still if the police gave deserted wives any help in tracing husbands who vanish; at the moment they resolutely refuse to do so even when they know where the husband is. In a time of full employment, of course, a man can still disappear even under the Scottish system; but Scottish experience suggests that the change in the law may be worth making, in spite of the trouble and expense that it causes to employers.

One of the difficulties in getting support for proposals such as these is the usual official reaction that marriage is a matter of love and trust, and that the law cannot intervene even where there is neither; some feminists are very angry with the Royal Commission on Marriage and Divorce for taking that line throughout much of its report. Another difficulty is that, in the main, it is only those who have personal experience of hardship and injustice who will fight for reform. Most women, who are either tolerably happily married or expecting to be ecstatically so, feel indifferent or even hostile to those who have a chip on their shoulders, and to the cranks who are found in the ranks of any reformist movement. Sensible women refuse to see everything in terms of sex war; the "average woman" tends to be put off feminism by its propagandists.

This is vexing for the feminists. More than a century after Florence Nightingale staged her passionate revolt against the trivial domestic round, here are the mass of women still preoccupied with their love-lives, clothes, children and homes—all the stuff of the women's magazines (which are utterly indifferent to the cause). The ordinary woman persists in the belief that in marriage an ounce of perfume is worth a peck of legal rights, and her dreams of power still feature the *femme fatale* rather than the administrative grade of the civil service. The working class woman, especially, is almost untouched by the women's movement. Equality has been won in a few unions—for example, musicians, cinematograph technicians and bus conductresses; and the ladies of the Amalgamated Engineering Union, with admirable self-confidence recently demanded "at least equal pay" with the men. But these are the exceptions. Although the TUC is formally committed to equal pay as one of its aims, the mass of trade union women—and of their male colleagues—refuse to get excited about it.

On the contrary, trade union restrictions are an important cause of economic inequality between men and women. The Open Door Council has published a list of the trade union and statutory restrictions on women's employment, and they fill a whole pamphlet. For example, the printing industry is almost completely closed to women, although composing, as *The Economist* has good reason to know, is a job that women's deft fingers can do very well. In several other trades the unions present a closed shop to women workers, while elsewhere they bar women from certain kinds of work in the trade. It is surprising that the male trade unionists consider this to be in their interests. Given equal pay, women in equal employment might serve as a useful buffer; in a slump women, whose rate of absenteeism is usually higher than men's, would often be the first to be laid off.

*

But trade unions are not the only offenders; the traditional attitude of employers is just as big an obstacle. This is particularly true in higher posts, very few of which, as a glance down the situations vacant column of *The Times* will show, are open to women, however well qualified. To some extent this tradition is being broken down by full employment, but to some extent also it is inevitable. Few employers are willing to train women for management when they may at any time leave to get married.

Some of the economic disabilities of women are indeed inseparable from their dual potential as wives and as workers; but others are certainly unnecessary. While none of them is so grievous that it is worth being chained to the railings for, it would be a pity if for that reason—or conversely, because feminism is too much identified with extremism—interest in the movement should die altogether. A sensible and moderate programme deserves to command general support.

Stalinism in China

POLITICAL fireworks in Moscow have diverted western attention from the other major partner in the Communist alliance. Speculation has been abundant about the effects which the liquidation of Stalinism would have on the regime of the Soviet Union and its European satellites. What of its impact on Mao's China? Peking has been conspicuously quiet while the tremors from Moscow have been rippling through the eastern European capitals. Not till this month did the *Chinese People's Daily* join in the general chorus of condemnation of Stalinism, and then it did so half-heartedly, continuing to stress the dead dictator's achievements and to recommend his works, though for more critical reading. Above all, it indulged in none of the self-criticism which elsewhere in the Communist world has accompanied the revelation of the recent past. Everything is analysed with an objective detachment, as if Stalinism were a Communist disease from which China is perfectly immune.

A distaste for iconoclasm would be understandable on the part of Mao Tse-tung, since, by the new standards, the adulation with which he is still surrounded could well be branded as a cult of personality. But more is involved in this caution than a merely personal attitude. Short of a purely Manichean explanation of all Soviet calamities through the evil genius of Stalin, it is necessary to view them partly as a result of the primitive conditions in which the experiment was tried, as a price paid for the too rapid industrialisation of a backward country. In Russia the mass collectivisation of the countryside provoked the first mass application of the Stalinist scourge; in China the process has only begun. In the Soviet Union collectivisation was merely a prelude to rapid industrialisation, requiring heavy investment; this need to cut every year a big slice off a small income was not unconnected with the maintenance of a regime of concentration camps. Nobody will deny China's poverty, or the open determination of its leaders to industrialise as fast as they can. Logically, far from being immune from Stalinism, China could be expected to show the symptoms of the disease in increasing measure.

The Chinese Communists began with many things in their favour. Their austere efficiency contrasted with Kuomintang corruption; their agrarian reform, distributing land and cutting rents, gained them a measure of peasant goodwill. Though "people's courts" were set up throughout the country, the regime could still claim a degree of popular support, or at least of acquiescence, for its various "anti" campaigns. But what will happen if the peasants turn actively against the rulers they have brought to power? The mysterious "suicide" in jail of Kao Kang, the former chief planner, was the first sign that the Chinese revolution, too, can devour its children. The branding of Hu Feng as a dangerous heretic—because he claimed for the

Chinese intellectuals the limited rights that their Soviet counterparts gained after Stalin's death—showed that far from being a pioneer China was a laggard in the liberalisation movement. The real test will be faced now, when the Communist policy runs the risk of provoking an upheaval in the Chinese countryside.

Mao, who owes his success to a masterly strategy in rural areas, seemed for long aware of the threat to his regime which a turmoil among China's 500 million peasants would involve. China took a slow boat to collectivisation until lately, steering a gradual course with many ports of call. But in November Mao himself mapped out a perceptibly faster route, and even this has now been scrapped as over-cautious. Already this year the bulk of the 110 million holdings of China are to be amalgamated into looser co-operatives, in which land is still privately owned; in two years' time the countryside is to be dominated by collective farms on the Soviet model. It is doubtful whether private property can be eliminated at such a pace in the biggest peasant mass in the world without using the very methods now being solemnly renounced in Moscow.

*

With 182 million tons of grain and 1.4 million tons of cotton, China apparently gathered last year by far the biggest harvest in its history. But self-confidence is not the only reason for speeding up. Another is the conviction that unless private property is rapidly squeezed out, it will spread and swallow the rest. Parallel movements have been launched in the towns and villages. Handicrafts are to be taken over by co-operatives. The turn of private industry is brought nearer; firms are being taken under joint state control by whole trades, instead of individually. Industrialisation is the dominant motive. It has been resolved to fulfil the first five-year plan, now in its fourth year, ahead of schedule and to revise the master project which exists in the form of the second and third five-year plans. Military needs for equipment and arms will clearly play a part in the programme, both as stimulants to growth and as large claimants to the resources created. The Manchurian industrial base is to be expanded, and at the same time industry is to be spread more widely over the country. Like the Russians, the Chinese know only one method of getting rapidly the agricultural surpluses necessary for this task—to collectivise. A similar piling up of reserves for the industrial revolution has been called by a Russian economist "primitive socialist accumulation." Stalinism was its political counterpart.

China, while its task may seem the more gigantic, has the undoubted advantage over Stalinist Russia of being able to draw on the experience of the Russian ally and on the economic aid of the Soviet bloc. It is Moscow's good luck that a primitive country needs the

men qualified to do the job as much as it needs the tools. A two-way traffic of technicians—to Russia to learn, to China to teach—costs less than the supply of equipment and brings obvious political dividends.

Thus, whatever the friction between the Mecca and the Medina of Communism about the Stalinist heresy, Moscow and Peking will stand together against the "capitalist infidel." The illusion that the West can thrust a wedge between the two allies is likely to become fashionable again, but it remains an illusion. Another myth gaining currency is that China's policy will become more independent as a result of changes in Soviet methods. Such ideas may or may not have an application to Eastern Europe, but they have no relevance to Communist China, which was never anything but independent in its foreign policy. Its revolution had triumphed without the aid of Soviet bayonets; it had succeeded against Stalin's expectation and against his advice; even he never dared to treat such a mighty planet as a satellite. If anything, China was probably the more turbulent partner in the highest Communist counsels, more prone to youthful exuberance, less sensitive to atomic threats.

If there are any grounds for a cautious and qualified optimism about Chinese conduct, they spring less from the lessons of events in Moscow than from the internal development of China itself. It may be that "the high tide of socialist transformation," a term in

common use in the political language of Peking, will for a time distract Chinese attention from the troubled waters of the world outside. The gigantic task of transforming the countryside and laying industrial foundations may possibly discourage unreasonable risk-taking in Formosa, Korea, Vietnam or Malaya. Concrete achievements, by making the country more vulnerable, may make it more prudent. Western trade may exert an attraction, as a means of relieving the strain, if the grandiose plans are meant in earnest.

Radical changes in Chinese policy seem unlikely. And yet the world Communist movement cannot go through its bout of schizophrenia and remain wholly unaffected. The new winds from Russia will blow across east Asia, too. China will provide a test case: is it inevitable that the planned economic transformation of a backward country on Communist lines should lead to a tyrannical regime of the Stalinist type? The question is not academic. The new face worn in Moscow has the advantage of being more easily commended to the European taste than was the grim visage that preceded it. Asians may be less sophisticated about democratic niceties, but they will be quick to react to Mao's handling of the Chinese peasant masses. Whether or not he can find a short cut which will not be, like Stalin's, strewn with peasant corpses may thus prove a key factor in the struggle of east and west on the Asian front.

Notes of the Week

B, K, and the Middle East

THIS week's Soviet statement on the Middle East, issued on the eve of the arrival of Marshal Bulganin and Mr Khrushchev in pomp at Portsmouth, is couched in basic, as opposed to conventional, diplomatic language. What it proclaims is that responsibility for upsetting the shaky balance in Palestine lay in the first instance with the sponsors of the Baghdad Pact, and only secondarily with those of the Czech arms deal. Now that the east-west score has been evened, it continues, the Soviet Union is as ready as anyone to work through the United Nations for peace in Palestine.

Mr Bulganin and Mr Khrushchev must be given credit for proclaiming in advance the line they proposed to take in the "serious talks" in London. They could have waited till the red flag flew over Claridge's, and sprung it as a surprise; instead, they have given London and Washington time to hobnob over it. The notice was valuable,

for they have confronted western policy with a dilemma.

No doubt the straightforward course would be to challenge their *bona fides* by inviting them jointly to sponsor a United Nations arms embargo on the area. The problem for the British Government is whether it could make this move without jeopardising the stability of Iraq, where its special agreement of April, 1955, binds it to "do its best" to deliver military as well as economic aid, and where government stability hangs on getting both.

It may have been a mistake in the first place for a European power to join an Asiatic regional pact; the United States, helping from the wings, is less awkwardly placed. But, Britain once in, the perspective alters. The Baghdad Pact is working so harmoniously—all those who attend its conferences comment on the exceptional smoothness with which they run—that it has become a cornerstone of British policy. It cannot be jettisoned out of friendly feeling for two visitors who have so far only made gestures and comfortable noises about Palestine. They must be asked this week with what measures they would be ready to substantiate their peace-loving statement.

Half-Time for Mr Hammarskjöld

HALF of the month given to Mr Hammarskjöld by the Security Council is over, and its pattern so far is depressing for anyone who hoped to better the climate of eternal skirmish that exists on the Egypt-Israeli frontier. Starting work in Cairo, he won smiling compliance from Colonel Nasser in his proposals for withdrawal of troops some hundreds of yards from the truce lines, for better frontier demarcation and for more extensive supervision by United Nations observers. Going on to Israel, he was told in harder tones that Egypt's word had proved unreliable, and that assurances more substantial than those he had received would be required before Israel could make reciprocal gestures. Would he, for instance, secure its undertaking to fulfil Article 2 (ii) of the armistice agreement, which binds both parties to refrain from warlike and hostile acts? Would he, therefore, cause Egypt to cease to claim the existence of a state of war as justification for the use of the Suez Canal for purposes of blockade?

Egypt and Israel are in fact very differently placed on the armistice line. To Egypt, concessions are cheap in a desert where there are no Egyptian interests of importance. For Israel every inch matters. Close to the frontier lie settlements and towns in which Arab commandos can cause alarm and havoc. Israel can afford to concede nothing to Mr Hammarskjöld without the certainty of a practical recompense. Yet Israel needs peace far more than does Egypt, which can prosper without it. The Israelis stand, to the Egyptians, in somewhat the same relation as does Britain to Mr Bulganin and Mr Khrushchev. Britain, too, needs something more than superficial gestures before it can move.

No Red Meat

APART from his venture into national bookmaking, Mr Macmillan's Budget has made ominously little political impact. In the short run this should help him to secure a fairly smooth passage for his first Finance Bill, but on the longer view he may well find that he has missed an unrepeatable opportunity. Mr Macmillan has not angered Tory MPs—most of them feel that the immediate crisis will be weathered—but he has left them feeling rather flat, and with a sinking feeling at the prospect of meeting their constituents. One of the commonest comments is that many of the so-called "Gunboat Tories" will not now bother to turn out to vote at next month's municipal elections.

On the other side of the House, Labour's chief complaint is that it has not got very much to complain of. There is little political sustenance in a furious indignation about bread and smoke. The Nonconformist element in the party insists that it is at the lottery that Labour's all-out attack should be launched; the political strategists fear that this puritanism would lose far more votes than it would win. To cover this split, Mr Wilson pressed on Wednesday for the scheme to be taken out of the budget, put in the forthcoming betting Bill, and left to a free vote. This is quite a sensible suggestion, but Labour wavering of this sort may get the worst of all cruel political worlds. It is,

however, an apt comment on the budget that these premium bonds are the main feature of it that the politicians want to talk about.

Gambling Bonds

THERE is not much sense in arguing whether Mr Macmillan's premium bonds will be a national lottery, or half-a-lottery, or (since the investors will be gambling for the 4 per cent interest) one twenty-fifth of one per year. The point is that those who oppose gambling on moral grounds will feel that the state has entered a business of which they disapprove, and that is the only part of this sophistry that matters. It is still difficult to gauge how strong the opposition will be. The Commons vote last week on the private members'—and private enterprise—Small Lotteries Bill (discussed in a later note) may not be an altogether reliable guide, for against a national scheme bigger guns are likely to be brought to bear. With the opposition given plenty of time to mobilise before the tickets are ready, the outcry may be greater than the Government at present expects; on the other hand, if the scheme comes to fruition, the response to it may well be greater too.

The Economist's view, without any particular feeling of pleasure as the state jumps on some people's deepest susceptibilities, is that we accept the experiment. There is a lot of gambling in the country; the Government will not move against it, so it might as well profit from it. But, that decision having been taken, there is little to be said for trying to season it with hypocrisy. The proposals to keep the investor's capital intact, to sell tickets only in the expensive units of £1 each, and to put a limit upon individual holdings should be retained, for they can be justified on social and not merely sophistic grounds. But the same cannot be said of the Government's decision to accept the sales disadvantage of spreading the prize money over a lot of little disbursements, instead of adding the bait of two or three really large fortunes each year. If this hypocrisy were abandoned, the Government would not have to put into the prize pool the equivalent of the proposed very high interest rate of 4 per cent tax free. Mr Macmillan has said that even small economies are worthwhile. He might as well start here.

State of Grace

MISS KELLY was no Cinderella, though she could play opposite Prince Charming to perfection if the casting required it. The fascination exerted by her marriage on the general mind, nauseous though some of its manifestations have been, is no more than natural in a match which links the two sugar-candy worlds of Hollywood and Monte Carlo. As for the 20,000 or so residents of Monaco, they have more than mere human curiosity to justify their interest in the proceedings: for the future of the taxpayer's paradise is at stake. This is the charmed half-a-square-mile where tax collectors do not tread. But, under a treaty signed in 1918, Monaco would be incorporated into the

French Republic should the prince leave no direct heir. One can imagine the convulsion which would follow—the poujadist rising, the sad trek of men of property to colder or hotter climates.

The threat of such a calamity gave Prince Rainier a grip on his principality which his feudal Grimaldi ancestors might have envied. An illustration was provided last year, when the biggest bank in the principality—the SMBMP—went bankrupt, the shares of the radio and television company, *Images et Son*, of which it was the main shareholder, having slumped. £1,600,000 of state funds were involved; a crisis broke out and the prince was obliged to dismiss the financial secretary and a private counsellor under pressure from the elective National Council. Thereupon he took to his yacht and sulked. The two men were reinstated, the bank was taken over by a Paris syndicate, and the crisis was brought to an end. Uncharitable people claim that the hope is nourished in Monaco that the appearance of an heir, by changing the Prince's personal position as sole guarantor of tax exemption, may transform his constitutional behaviour and bring more orthodox government to Monaco. Valuable as it is, the fillip to the tourist industry and to the roulette turnover—both lately rescued from a relative decline by the action of a leading resident, Mr Onassis, in taking over the *Société des Bains de Mer*, which owns the casino and the principal hotels—may be only minor and incidental benefits of this Hollywood dynastic alliance.

Airman in Supreme Command

GENERAL GRUENTHER, when he retires from the allied supreme command in Europe, will have served three times as long as either of his predecessors, General Eisenhower and General Ridgway. It has been a long and an exacting time to have been Supreme Commander, requiring not only the energy and administrative skill of the outstanding chief of staff General Gruenther was known to be, but all the agility, diplomacy and wisdom, well leavened with humanity, that he has shown since. It has been a period when accepted working assumptions have tended to crumble and the alliance has needed flexibility as well as strength. The development of new weapons has meant radical changes in the strategy of defence and the tactics of war. Russian possession of the hydrogen bomb has turned confidence in an ultimate deterrent into recognition of a frightening stalemate. Stalinism has given way to smiles. The first German officers have been welcomed at Shape, but the twelve divisions are still a paper argument. General Gruenther will leave his successor heavy tasks as well as an admirable example.

Practically speaking, the Supreme Commander in Europe must be an American. General Norstad is also a "Nato" officer, familiar with the problems, the spirit, and the character of Shape, having been Air Deputy to General Gruenther since 1953. Still only 49, he has President Eisenhower's confidence and an enviable reputation as a brilliant officer. These may not have been the only factors governing the choice. Air defence is fundamental to Nato planning but there has so far been much less integration of air defences than of the ground and naval forces of the alliance. The deficiency was discussed by the Nato

Council in December, and a start made on a co-ordinated early warning system and the integration of continental air forces. Much remains to be done. But of all the areas of military operation, integration in the air is today the most difficult, and the most important, because it cuts closest to the bone of national survival. The revolutionary step of putting an air force general in supreme command was not taken blindly.

Tobacco and the Aged

AMINOR political row has arisen because the Chancellor has not raised the tobacco relief to old age pensioners to compensate for the increase in tobacco duty. This may be a good moment to draw attention to the embarrassing ramp which this relief scheme has become. Under it certain specified categories of pensioners—retirement pensioners and non-contributory old age pensioners—who certify that they are habitual smokers, may obtain tokens which enable

Educating the People

Three plans for ensuring the education of the people of a country are conceivable—each of them intelligible and self-consistent. The Government may, as in Prussia and other Continental States, admit the duty and assume the responsibility. It may . . . establish schools, train schoolmasters, and compel every child within certain years to undergo the training thus provided for it. Nothing can be simpler; nothing can be more complete and comprehensive; nothing, in nations already broken in to autocratic and bureaucratic despotism, can be easier. But . . . Englishmen, we all know, would not listen for one moment to such a plan: moreover, Englishmen, we nearly all of us think, ought not to listen to it. . . . Or the duty of providing of schools and schoolmasters may be imposed entirely on the local authorities, as the provision for the poor formerly was. Parishes or cities may be empowered and compelled to lay a school rate, as they now lay a poor rate—may provide for the moral as they now provide for the material destitution of their inhabitants—and administer the one as they administer the other. This plan also is clear and defensible in outline and in principle. But the instant you begin to plan details, you are met by . . . insuperable obstacles. . . . All sects agree in repudiating purely secular schools—yet all agree equally in repudiating any religious school but their own. They will have no rate levied for schools in which religion is not taught; and they will have no rate levied for schools in which religion is taught—unless it be their own creed and be conducted by their own sect. . . . The third . . . cannot be called a system of national education. It is merely a mode of letting national education alone—giving it at the same time a certain amount of irregular encouragement. It leaves the instruction of the people to the voluntary effort of individuals, aiding those efforts by moderate grants, and improving that instruction by the strict requirements on which those grants are conceded. It is not very logical; it is very unscientific; it is very hard on individuals; it is utterly inadequate. It does not nearly meet the wants of the country; but it does much incidental good.

The Economist

April 19, 1856

them to buy tobacco at a reduced price; the benefit to those who take full advantage of the scheme is 2s. 4d. a week. By now more than half of all pensioners do take full advantage of it, despite the fact that two-thirds of pensioners are elderly ladies—who formed their habits in an age when habitual smoking by women was certainly not as common as these figures imply. It is clear that those who take advantage of the relief fall into three categories: (a) some genuine habitual smokers; (b) a large number of people who quite naturally use the tokens to buy cigarettes for other members of their household; (c) a small number who work an understandable "fiddle," by buying cigarettes with their tokens and then re-selling them. The one half, or rather less, of pensioners who do not get this extra 2s. 4d. a week must include a large proportion of pensioners living on their own—and these tend, broadly speaking, to be the poorest class in the whole community.

Obviously, this state of affairs cannot be rectified by bluntly withdrawing the relief; that is shown by the row that has been stirred up merely by the Chancellor refusing to increase it. The only sensible course will eventually be to raise pensions by 2s. 4d. a week, and to discontinue the scheme then; the net cost of this to the Exchequer would be just over £10 million a year. This step could not be taken at a time when a rise in pensions was already expected; under those circumstances attention would be concentrated on the half of all pensioners who were losing the concession, and the measure would be regarded as mean. It could only be taken at a time when an increase in pensions was not expected; attention would then be concentrated on the half of all pensioners who were getting the extra 2s. 4d. a week, and the measure would be regarded as generous. The Chancellor should keep this suggestion high on the list that he must be compiling in case—just in case—there should be some grounds for increasing purchasing power later in the year. Meanwhile, stand firm.

A Bouquet for Mr Thorneycroft

IN two days of debate last week the Commons disposed of only two of the thirty-two clauses of the Restrictive Trade Practices Bill. They were, however, two days well spent, for they went some way towards providing reassuring answers to the three main questions at the outset of what

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is likely to be the long and arduous trek of this Bill through committee. The first question concerns the Government's firmness of purpose. The answer to this must be that Mr Thorneycroft and Mr Walker-Smith, who had plainly worked overtime on their briefs, put up brilliant Parliamentary performances last week; in more than a dozen appearances at the dispatch box, they have not so far put a single word wrong. The second question was whether a group of Labour technicians would emerge with a genuine interest in helping Mr Thorneycroft to tidy and thrust through an effective measure—and thus quietly assume control of Labour's case at the committee stage from Mr Douglas Jay, who has hitherto been concerned with playing pure politics with this Bill without really understanding it. By Thursday evening it was clear that such a group had emerged; it is led by Sir Lynn Ungood-Thomas with four or five assistants, among whom Mr Roy Jenkins and Mr F. W. Mulley deserve especially honourable mention.

The third question concerned the power of the "trade association Tories," who—under the emerging leadership of the ex-Attorney General, Sir Lionel Heald—are the potential villains of this piece; they have put down a shoal of amendments, including at least a score that could destroy the whole effectiveness of the Bill. Half a dozen of their amendments, including two of the really damaging ones, came up for consideration last week; in every case Mr Thorneycroft stood firm, and the amendments concerned were withdrawn without a division.

It is essential that the Government should continue to stand firm in this way; later in the committee stage, on Clauses 22 to 25, there is an important amendment to the Bill that needs to be made—the Monopolies Commission should be kept in full being as a reserve weapon behind the new system—but there is a long defensive battle to be fought before these clauses are reached. All that can be said so far, and said very much to Mr Thorneycroft's credit, is that the opening exchanges in this defensive battle have gone the right way.

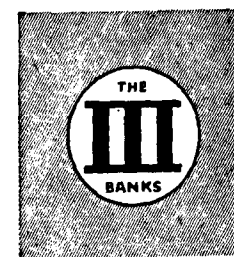
Why No Potatoes?

IN itself there is nothing particularly sinister or surprising in the exceptionally high prices (6d. a lb. and more) which old potatoes are now fetching. The decline in last year's potato acreage was a natural and appropriate response to declining consumer demand, but it happened to be accompanied by low yields both in this country and on the continent. Potato imports have been permitted since late November, but at present potatoes are almost equally scarce in many European countries; Holland has gone as far as to ban exports. Add to this the circumstances that spring greens this year are late and costly, and that the Jersey crop of new potatoes will be several weeks late, and the potato shortage is revealed as a natural minor misfortune—one that could only be worsened by clapping on price control, but which will partly right itself as consumers' resistance to paying the present high prices grows in strength.

The only point of surprise is that there exists a Potato Marketing Board, elected by producers, whose declared purposes are to achieve "orderly marketing" and to even out the flow of supplies. Last November it opposed

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THIS IS ONE of those legendary associations that bear no real relation to the truth. Salamanders are amphibians, the black and yellow species 'Fire Salamander' being common still throughout North Africa and Central Europe. Far indeed from being fireproof, he is found only in the dampest places.

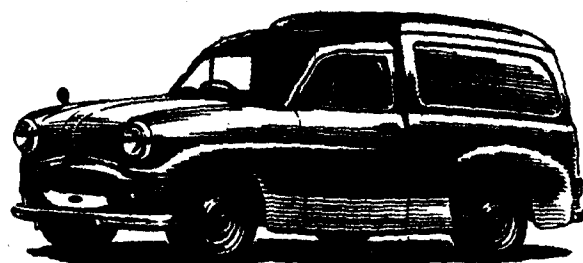
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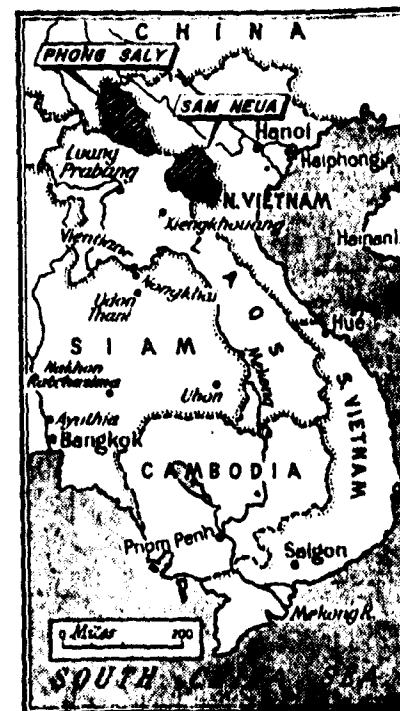
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(unsuccessfully) the Government decision to allow a modest amount of potato imports, on the ground that home supplies were perfectly adequate. Subsequently, it reversed a previous decision which had aimed at keeping up supplies by allowing smaller potatoes than usual to be sold for human consumption. These antics probably contributed only slightly to the present shortage, but any effect the Board has had has been precisely the reverse of its professed intentions.

How can such an egregious error be explained? A newly reconstituted Board, dealing with such a chancy crop as potatoes, can perhaps be forgiven for mistaken forecasting. Its real error lay in trying to play far too safe—safe, that is, from the viewpoint of a producers' organisation so afraid of falling prices that the greater risk of plunging the consumer into scarcity was ignored. In this case, neglect of the consumer may well rebound on the Board's own head, since the rationing-inculcated habit of eating a third more potatoes than before the war will take a severe knock from the present shortage and high prices. But the Potato Board's record in this affair shows once again the folly of the Government's readiness to entrust the marketing of food-stuffs to such biased monopoly organisations.

Danger-Time in Vietnam

IN the ballyhoo that seems inseparable from the travels of Messrs Khrushchev and Bulganin, the important Russo-British talks on Indo-China, which began in London last week, have escaped attention. Lord Reading, the Minister of State, and Mr Gromyko, the Soviet first deputy Foreign Minister, are discussing the consequences of the partial breakdown of the Geneva agreements of 1954, which ended the Indo-China war.



The two main points at issue arise, on the one hand, from the refusal of the Diem government in southern Vietnam to honour political obligations to which it has never subscribed; and, on the other hand, from the fact that the Pathet Lao—Laotian Communists, controlled by Viet Minh—refuse to surrender two provinces of Laos in accordance with the Geneva agreements.

President Diem's refusal to participate in country-wide general elections next July means that Vietnam will remain divided like Korea and Germany, unless a military attack from either side creates a new situation. The danger of

this refusal is that it constitutes a provocation to the Viet Minh to launch a war against the Nationalist south; and the danger of Communist retention of Same Neua and Phong Saly, the two Laotian provinces, is that these might be used as a springboard for an attack against southern Vietnam.

There are two subsidiary points at issue as well; these have already been aired in an exchange of Notes between Moscow and London. The Russians have accused the western powers of setting up military bases in southern Vietnam and of trying to include the south in a military bloc. The British Note, in reply, has pointed out that more than 100,000 French troops have been withdrawn from Vietnam since the armistice and that there will soon be none left, while the Vietnamese army has been reduced by 20,000 men; in contrast, the Communist regime in the north has increased the strength of its army from seven divisions to at least twenty.

The Diem government, in a statement on the forthcoming departure of the last 10,000 French troops, has promised to co-operate with the tripartite supervisory commission in Vietnam. There are no signs, however, that it is prepared to work with the Viet Minh—as the French did—in the joint sub-commission charged with patrolling the demarcation line. The danger of border incidents will therefore become very real after the French have gone. This background lends point to the argument in the British Note to Moscow that the first essential is to preserve the peace in Vietnam; a political solution can wait. Here is a challenge to Russian good will.

Trouble in Spain

THE strikes in Navarre, Guipúzcoa and Barcelona are the most dramatic, not the most important, symptoms of the malaise afflicting Spain and the regime of General Franco. Unsure of itself, the government is husbanding its strength for the home front; a clear sign has been the speedy settlement of the Spanish Moroccan question. Spain's recognition of full Moroccan sovereignty has been so swift that some of the really difficult problems—the transfer of administrative powers and the future of the Spanish towns in Morocco—have hardly been touched upon. Since early February, moreover, there has been agitation among intellectuals and in the university at Madrid for greater freedom of learning and expression. The reactions of the regime have vacillated between the traditional techniques of repression and rather ineffectual appeals and promises.

Behind the present troubles there are both economic and political factors. Despite American aid—some \$50 million in non-military funds during the current fiscal year—or perhaps stimulated by it, the cost of living has continued to rise steeply. The consequent labour troubles are discussed on page 276. Heavy frosts in February caused severe damage to citrus and olive plantations, and Spain has appealed to the United States for an additional \$200 million worth of American agricultural surpluses. The roots of the political malaise go even deeper. General Franco has deliberately sought to prepare opinion for a change of regime after he lays down his office. But the monarchic solution is increasingly unpopular with the Falange and with the general public. The death of one of the young

princes in a shooting accident at Estoril has strengthened the feeling that the royal family is not ideally suited to resume the throne. Political discussion having been allowed to begin, the regime is finding it very difficult to limit the debates to approved subjects.

On the foreign front, by contrast, Sr. Artajo, the Spanish foreign minister, has had a definite success with his visit to Washington. Every weakening in the structure of Nato brings a gain to Spain in the eyes of American strategists. Moreover, during the next six months Madrid will be host to King Feisal of Iraq, to King Ibn Saud, to Colonel Nasser, and to the President of the Lebanon. General Franco's boast that it will fall to Spain to be the link between the western powers and Islam seems to be coming true, as Mr Dulles is duly, perhaps more than duly, aware.

End of the Cominform

WHO will weep for the Cominform? It was founded in 1947 by nine European Communist parties, including those of France and Italy, "to exchange experience and when necessary to co-ordinate the activities of Communist parties." At its second meeting, in June, 1948, it brought the Tito-Stalin quarrel out into the open by declaring the expulsion of Yugoslavia. From then on it was closely associated with the Stalinist domination of eastern Europe in its worst aspect. For the West, the organisation's terms of reference made it suspect from the start; while in Communist eyes it is now discredited both by its acts and by its associations. Its dissolution deprives not Communism, but the west, of a propaganda weapon. Communism loses only a growing source of embarrassment.

Like the dissolution of the Comintern in 1943, the closing down of the Cominform is a gesture to disarm western suspicions of Soviet intentions. (It is also a particularly gay feather in Marshal Tito's cap.) The symbolic value of the gesture remains to be seen. But no one will be deceived about its practical value; *Pravda* has openly stated that the parties previously united in the Cominform will establish new ties and contacts among themselves. The Communist chain of command will remain unbroken.

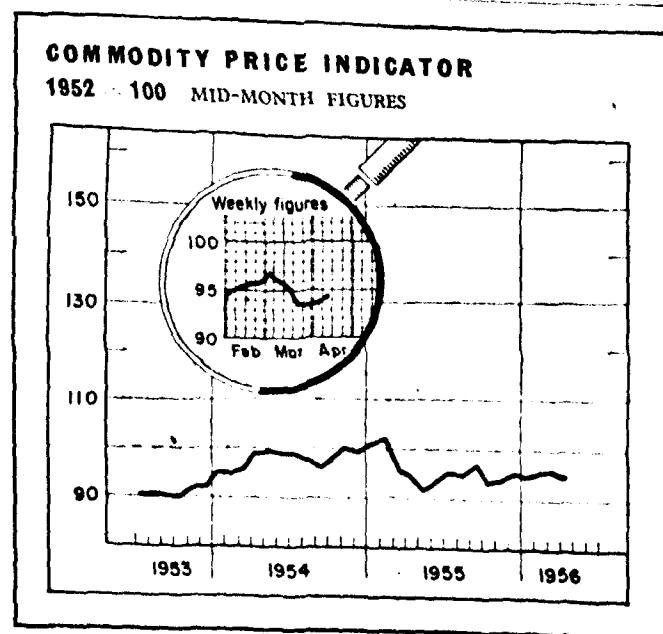
The Chancellor's Competitors

LAST week MPs legalised the raffle at the church bazaar. Hardly had its opponents finished muttering that this was the thin end of the wedge than Mr Macmillan launched his national lottery. The Chancellor had no doubt been watching the debates on the Small Lotteries Bill to get some foretaste of how his scheme is likely to be received. Opposition cut across party lines, came principally from Free Churchmen, and was highly vocal, but it was not very widespread. There could, however, be a logical reason for some people who supported this Bill to oppose Mr Macmillan's scheme. It has been obvious for a long time that the most serious moral danger in private enterprise gambling is not to the gamblers but to the understaffed police left to enforce archaic and unworkable laws.

The Small Lotteries Bill got through the Commons with only two amendments of any importance: the upper limit on the value of tickets was raised from £500 to £750, and the maximum deduction for expenses was lifted from 5 to 10 per cent. Neither affected the principle of the Bill, which was to legalise, subject to fairly strict (though gradually loosening) limits, the type of small lottery which public opinion has long since come to accept. Another recent private member's Bill brought some minor improvements into the law covering football pools; if these organisations still seem singularly unanswerable to punters, they may become less smug under competitive pressure from Mr Macmillan's national lottery. But one tangle of gambling laws still waits to be unravelled: those covering off-the-course betting. The Government is now committed to bringing in a Bill to set up registered betting shops. With Mr Macmillan willing to set up as the nation's bookie, Ministers ought to feel a strengthened obligation to bring this measure forward next session. It would be quite wrong for them to draw the opposite conclusion—to say that it would be too uncomfortable to run the same pressure groups' gauntlet twice in quick succession.

White Man's Country?

THE proposals put forward by the European elected members for constitutional changes in Kenya, coupled with those for a new immigration policy tabled this week in the Legislature, have a single aim. They add up to a bid to make the colony safe for its white minority for a long period ahead; just how long, it is not easy to say. If the British Government accepted the settlers' proposals, the Legislature would be increased by fourteen new members—seven European and seven representing the other races (of whom four would be Africans). Five Europeans and five non-Europeans would be elected by regions which would overlap existing constituencies; this would necessitate all electors having two votes, though for their communal electorates the Africans have already, under the



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modified Courtts plan, been promised three. The idea behind this move is that when a member joins the council of ministers, his constituents shall have another member in opposition to complain to. In addition, there would be two corporate members representing commerce and agriculture and elected by the organised interests and boards; to balance these, the Africans would get two more purely communal constituencies as recommended by Mr Courtts. It is hinted that the new regional members might ultimately be elected on a common roll; and the corporate members could claim to represent all races already. But the effect of the proposals taken as a whole would be to entrench European power, and perhaps to strengthen the "opposition" against the government. It is not linked to any suggestion that another African minister be appointed.

The new immigration proposals seek to replace the existing multi-racial control board by a government immigration officer responsible to the council of ministers. Their likely effect would be to restrict Asian immigration on the ground that Asians compete with Africans for jobs, while letting Europeans in on the grounds that they do not (though, Africans would add, they do compete for land). The motive force behind these proposals is the settler dream of a large settled white population, but this is hardly the way to implement it. It is very doubtful how many more large farmers are likely to bring capital into Kenya, while white smallholdings can hardly be justified as contributing to the economy, and white technicians—whose presence certainly can be justified—are, more often than white Kenyans admit, purely transient.

An Inflation of Shopkeepers?

THE National Union of Small Shopkeepers has recommended its members to raise retail prices by 5 per cent, unless the Government reviews the rating reassessment of shop premises. This recommendation is specifically said to be designed to attract the public's attention; it may therefore be useful to detail the two points that attention will be attracted to. First, the extra rate burden that shops will bear this year is not likely to exceed £15 to £20 million, which represents about one-quarter of one per cent of retail turnover; when allowance is made for the fact that rates are paid out of before-tax income, the extra burden will, indeed, probably be considerably lower. For retailers to talk of a demand for a 5 per cent increase in prices in the face of such figures, and thus to dream of an accretion of over £300 million to their own pockets, is chuckle-headed. Secondly, shopkeeping is still a sufficiently competitive trade to make such a recommendation impossible of fulfilment; if an attempt ever were made to implement even part of it, it presumably could not be done until the autumn, by which time the Restrictive Trade Practices Bill will be by the law of the land. The 11,000 small shopkeepers who are members of the National Union should ponder these points, and the likely effect upon the British public of their invitation to M. Poujade to address their annual conference next month. A majority union may gain by militancy; a minority union, with a reasonable case to argue, must lose by any public advertisement that its leaders are so exhibitionist, impractical and silly.

Gloomy Danes

THE state of Denmark is not yet fully healed. Most of the men involved in the month-old Danish strike—chiefly transport workers, builders and employees of the metal industry—went sullenly back to duty on Monday morning, after a token general strike in protest against the Folketing's decision to end the dispute by legislation. Seamen in Danish ports, however, have stayed out; some employers in other industries are finding themselves faced with "go-slow" tactics; and according to the latest news the farm workers, together with one or two other groups of men who took no part in the recent strike, are threatening to stop work themselves. The chief complaint is that the mediator's proposals, as enforced by parliament, ignore the claim for a reduction in working hours. They provide instead for a flat increase of about a penny an hour for all workers, with a little extra for the poorest, and rises in the rates of pay for overtime and for certain holidays. Since the settlement has the legal force of a normal wages agreement, it can in theory not be challenged for the next two years.

The seamen who have refused to return to work are therefore taking part in an illegal strike. But it is difficult to see what the Social Democrat government can do. The men have taken their stand, not on the main provisions of the mediator's settlement, but on a side-issue—the status of trainee officers, whom they want to be treated as ordinary members of the crew. A special committee has been appointed, and negotiations continue on the basis of new proposals. Fortunately for Denmark's foreign trade, the strike of seamen is confined to ships in Danish harbours, since those elsewhere are subject to the law of mutiny. It has thus been possible to divert ships to Hamburg, where they have picked up bacon carried over the expensive overland haul from Denmark. Britain has been getting most of its usual bacon in this way, though butter supplies have been hard hit. However, for political as well as economic reasons, Mr Hansen's government needs to end this angry dispute, which has brought with it the unexpected sight of barricades and violence in Scandinavian streets.

The Cult of Comrade Chervenkov

THE deplorable manner in which they had all been infected by the cult of personality has been denounced with apparent gusto by all the Communist leaders of eastern Europe. The Czechs have gone so far as to condemn the "aura of sacrosanctity" that surrounded their dead leader, Gottwald, "in spite of his well-known modesty." But only in Bulgaria, so far, has a living Communist leader been officially associated by name with the cult and made to suffer—albeit in a gentlemanlike way—for his failings. According to an announcement by the Bulgarian central committee, "the cult of the person of Comrade Valko Chervenkov changed to a great extent the traditional tried methods" of the party and sometimes resulted in "one-sided decisions on problems." Mr Chervenkov has now resigned from the premiership and, like Mr Malenkov

before him, stepped down to the position of a deputy premier.

Reports from Sofia indicate that self-criticism did not come easily to Bulgaria's former dictator and that by the time the rest of the central committee had persuaded him to accept his demotion they were all very tired men. Exactly in what degree his fall was caused by pressure from Moscow and in what degree by opposition within the Bulgarian party, is impossible to say. But he may have been selected by Moscow—perhaps just because he was swaying slightly on his pedestal already—as a token of sincerity and a propitiatory sacrifice to Marshal Tito. A Yugoslav parliamentary delegation happened to be in Sofia to witness the humiliation of one of Tito's bitterest opponents.

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There is no sign that the change of prime minister means any change of policy inside Bulgaria. Chervenkov's successor, Anton Yugov, is another veteran Communist. Seven years ago, after Georgi Dimitrov, the hero of the Reichstag fire trial, had been carried off to die in a Soviet sanatorium, Yugov and Chervenkov fought hard for Dimitrov's seat as premier and party boss. The two men have been personal rivals, but as far as is known they have not (like Rakosi and Nagy in Hungary) become the protagonists of opposed policies. The most obvious lesson to be drawn from the changes in Sofia is that the man in power needs Moscow's support as much as ever. What will Moscow do if Rakosi's compulsory somersaults land him in serious trouble with his own party?

Mr Kono Goes Fishing

THE Japanese are discovering, as others who negotiate with the Russians have discovered, that all strings lead to Moscow. Mr Kono, the Japanese minister in charge of agriculture and fisheries, leaves Tokyo for Moscow this week end with a large delegation, with the task of persuading the Russians to ease the restrictions which they threaten to impose on Japanese salmon fishing in the north Pacific. But it is highly unlikely that the Moscow discussions will be confined to salmon; the Russians have bigger fish in mind. This is the latest move in the long and hard-fought negotiations for a Russo-Japanese peace treaty. The London talks, after dragging on for nine months, broke down over the return of ex-Japanese territories: Russia offered to hand back only the small Habomai and Shikotan islands just north of Hokkaido, whereas Japan asked for at least the southern Kuriles as well. The day after the talks were suspended, the Russians announced their intention to limit salmon fishing in a wide expanse of sea, stretching far beyond territorial waters, off Kamchatka.

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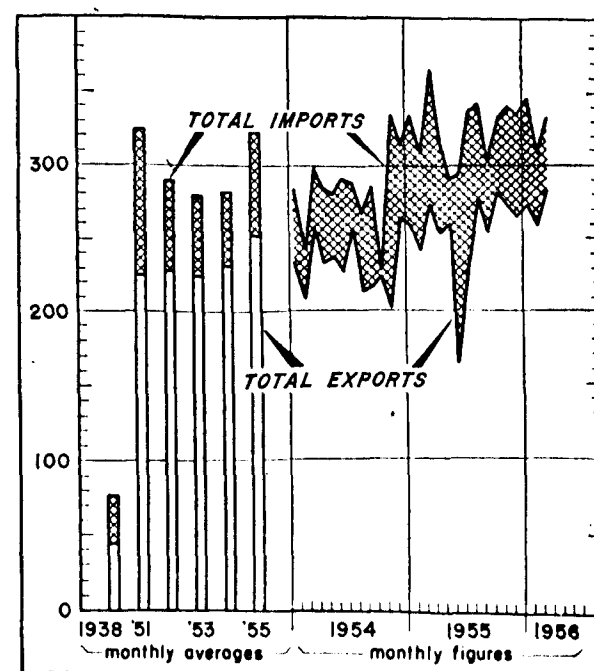
Mr Kono's mission calls for much delicacy. The Japanese have drawn a subtle distinction between sending him to Moscow, which they claim does not imply diplomatic recognition of the Soviet Union, and negotiating with the unofficial Russian delegation in Tokyo, which they think

would imply it. This delegation has already hinted that the Russians are entitled to make their own rules about fisheries so long as a "technical state of war" exists between Japan and the Soviet Union. Mr Kono is likely to find that the price of freer fishing is Japan's signature to a peace treaty that ignores, or at best shelves, the Japanese claims to the southern Kuriles. Nor does he go to Moscow with his country solidly behind him. The Japanese fishing industry is carrying on with its plans to send 19 fleets to the northern Pacific, and will exert all the pressure it can to escape the crippling Soviet restrictions. The old and ailing Premier, Mr Hatoyama, who has now been elected to the presidency of the Liberal-Democratic party, clearly feels the ambition to settle affairs with Russia before ill-health forces him to retire. Mr Kono is one of his closest confidants. The Russian restrictions are due to take effect on May 15th; if he is not careful, Mr Kono will find himself casting a clout before May is out.

More Pay for Nurses

THE Government's hopes of economising in its expenditure are not going to be helped by the fact that some inevitable increases are now falling due in the pay of public employees. One of the latest announcements is that of higher salaries for nurses; it will increase hospitals' maintenance costs and means that a supplementary estimate is heralded before the new financial year is three weeks old. The estimates already presented for the hospitals allowed for an increase of £3 million in the cost of the nursing and midwifery staff in 1956-57. But the new scales for salaries and training allowances will in fact cost between £5½ million and £6 million.

THE UK TRADE GAP
£ MILLION



The old scales have been in force for only sixteen months. They were decided by an award of the industrial court in favour of the management side of the Whitley council, and the new scales go much further towards what the staff side was then claiming. They increase the training allowance of student nurses in general by £20 a year, to £260-£285, and the salaries of matrons in the largest hospitals by £95, to £1,290. The scale for ward sisters will go up from £450-£575 to £485-£615. But the biggest increase is that aimed at stemming the loss of male nurses in the mental hospitals. The training allowances for student mental nurses, who under the old scale received £45 a year more than other student nurses, are to vary with age, and those aged 21 or over will start at £390 a year. This should be a stimulus to the recruitment of men and women; but it is not nearly so certain that the increases for the trained male nurses are enough to keep them from drifting away from their jobs.

Le Temps, c'est de l'Argent

THE launching this week of the new evening paper *Le Temps de Paris* may open a circulation war in Paris. The newcomer, powerfully backed, recalls in more than name *Le Temps* of before the war. That most dignified daily of the Third Republic became in the twenties the property of the French steel federation, and in foreign policy

the mouthpiece of the Quai d'Orsay. It went on publishing for too long under the German occupation to survive the liberation, and its place as the serious paper for the middle classes fell to *Le Monde*. The heir did not take over the conformism and pliability of its predecessor, but wrote a new chapter in French journalism under the often unorthodox direction of M. Beuve-Méry, seeking no money and accepting no orders. It balances its accounts with difficulty, but by high quality of reporting and commentary it has held the respect even of those who hold some of its views to be wrong.

French industrial and financial hankering after a more adaptable journalistic tool has persisted. The incorruptible *Le Monde*, having refused to be worn down from within, is to be attacked from outside. *Le Temps de Paris* is expected to mirror conservative interests more faithfully. Some members of its editorial staff have been blamed in the past for insufficient hostility to the occupier during the war; but times have changed. The new paper will lack neither gifted journalists nor the funds requisite for success.

The scale on which it is launched is bound to set it also against another evening daily, *France-Soir*. With a circulation of more than a million this is the giant of the French newspaper world and, since it is supported by Messrs Hachette, it should be able to stand the strain and hit back. The ephemeral appearance of the mendacious *Express* as a daily provoked skirmishes among the morning papers a few months ago. The battle of the evening press is likely to last longer and prove more acute. For the good of journalism it is to be hoped that the independent *Le Monde* will survive this financial struggle.

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Letters to the Editor

How Blunt is Bank Rate?

SIR—With how much more mystery can British banking be surrounded? Five years ago, like Lazarus from the tomb, the "conventional" 30 per cent ratio came forth, greeted by cries of delighted recognition from the highest quarters. When some of us, looking back amongst our records, expressed doubt as to whether any recognisable ratio as such had ever existed, we were reprimanded for being mere figure-diggers. We stood duly rebuked. Imagine our confusion when in both 1952 and 1955 such credit contraction as was achieved occurred in periods when liquidity ratios were rising rapidly; very odd, we thought. Our confusion grew when we learnt from your columns (March 3, 1956) that last year "the authorities intimated that the banks ought to treat this (i.e., 30 per cent) as the normal minimum"; odder still, we thought—in what sense is this a "convention" if Big Brother has to crack his whip about it? Now our confusion is complete, since we are told, by *The Banker* no less, that it all depends on the current state of the gilt-edged market; if Consols are poorly, "liquidity may feel taut even though the ratio has risen by $\frac{1}{2}$ per cent more than seasonally."

Having emerged coughing from these dense clouds, you, Sir, smite us even more cruelly. The cash ratio was at least a ratio; we knew where we were with that. But now (April 14th) you turn to speak pityingly of those "who suppose that the Bank of England can exert 'quantitative' control over bank cash by open market operations." This belief you now report to be even more *démodé* than being polite to Stalin; credit is curtailed, we are now told, by a rise in interest rates—not, as we sillies had thought, *vice versa*. Is nothing sacred?

Yet on going into the argument it transpires that all that the New Look is saying is that if the banks lose cash they can replace it by selling bills to the lender of last resort; i.e., that the Bank cannot contract credit through the banks' cash if the banks' cash is not reduced. Put that way, the argument is not quite so atomic. And the fact remains that it is through a reduction of bank cash that the trick is worked; it is because of a loss of cash (not bills) that call money is cut down, and so on. There seems to me to be a world of difference between saying, on the one hand, that credit cannot be controlled through the cash ratio, but only through total liquid assets and, on the other, that in order to restore a threatened cash ratio the banks will take certain actions and certain consequences will follow.

Surely (I speak, as St Paul says, as one less wise) credit policy still rests utterly and unambiguously on the fixed cash ratio. This is just as well, since we have found its competitor, the liquidity ratio, a distinctly slippery customer.—Yours faithfully,
EDWARD NEVIN
*University College of Wales,
Aberystwyth*

Wheat: A Permanent Solution?

SIR—I make bold to suggest that trade in wheat, both within and between countries, should be set entirely free. It would, however, be fatal to free national and international trade in wheat unconditionally, since there are in the world today enormous accumulations of redundant wheat. These unsaleable surpluses amount to some 1,800 million bushels.

If all this wheat were to be thrown on the market, the world price of wheat would at once collapse, bringing down with it the prices of all other agricultural products, and the farmers, who still constitute more than half of the population of the world, would be ruined. It follows that, if the world wheat trade is to be set free, these unsaleable surpluses must first be withdrawn from the market.

My proposal is that one-half of these surpluses should be bought up by the seven wheat exporting countries and the other half by the forty-odd wheat importing countries, in proportion to the quantities that each of these countries has exported or imported during the last six years. The quantities thus stored would be an insurance against any kind of emergency. They should not be put on sale except by a majority vote of the International Wheat Council.

Over-production of wheat in recent years has been mainly due to the policy of the wheat exporting countries, where the wheat trade has been in official hands and artificially high prices have been maintained. How can the over-production of wheat be prevented? Protection for agriculture, industry, and trade—that is, subsidies, tariffs, and combines—should be abolished by degrees. The farmer can no more than the manufacturer or trader be expected to sell in the free market and to buy in the protected market. Agricultural subsidies maintain high-cost producers in production and enable inefficient farmers to remain inefficient. Farmers deprived of subsidies should be helped with monetary grants, so administered as not to interfere with the price mechanism. Then over-production will not occur.

If economic freedom prevails and

world industrial production and employment remain at the anticipated high level, supply and demand will determine a price for wheat that will ensure to the producer not only his costs of production but also a fair profit.

The answer to the wheat problem lies in competitive trade supplemented by a futures market. The purpose of the futures market is not only to provide a means of insurance for producers, millers, exporters, and importers, but also directly to relate future supply—and hence acreage and production—to future demand. Thus, when the futures market is advancing, production is encouraged; when it is declining, it is discouraged.

The price of wheat must cease to be a political issue. Its emancipation from political influences would permanently benefit both the producer and the consumer, and would bring relief to the taxpayer.—Yours faithfully,
PAUL DE HEVESY
London

A Formosan Third Force?

SIR—I suggest that the writer on the above subject in your issue of March 17th knows little of actual conditions in Formosa. He states that "there is good reason to believe that, given a free choice, they (the people of Formosa) would opt for independence." There is not the slightest justification for such a statement. Recently I spent four months in Formosa, travelling through the island from Keelung to Kaoshiung, conversing with wharf labourers, farmers, industrial workers and ordinary people in the streets and never once did I hear any suggestion that would support this contention.

The reason is obvious. Every farmer either owns his farm or is in process of making it his own; the industrial workers have (in Asian terms) a high standard of living; and enjoy social amenities not known elsewhere in Asia. Further, the people themselves control the affairs of the island. Native-born Chinese (Formosans) are in the great majority in the Provincial Government, which administers the affairs of Formosa. In the 1954 elections for the Provincial Assembly, of the 103 candidates, the great majority of the 57 members elected by secret ballot (every person of the age of 18 enjoys the suffrage) were native-born and these included six women and three representatives of the mountain tribes (aborigines of Malayan origin). Of the 21 members of the Provincial Council, 16 are native-born. The cold fact is that the domestic affairs of Formosa are now in the hands of native-born Chinese, or Formosans.

The group in Japan mentioned by your writer comprises men whom the Japanese, before they vacated Formosa, inspired with discontent, as they did in other parts of East Asia. As I heard again and again in Formosa from native-born Formosans, they are completely discredited throughout the island.—Yours faithfully,
W. G. GODDARD
London

Books & Publications

Prophet from Shantytown

NAUGHT FOR YOUR COMFORT.

By Trevor Huddleston.

Collins. 256 pages. 12s. 6d.

THIS is a stern, even fierce, book—the indictment of a religious reformer who is fighting for men's souls as well as for their political rights. Father Huddleston writes as a priest and for men and women of conscience; and he bases his right to speak out on the danger that the black population of South Africa will be lost to Christianity if the policies of the Afrikaner nationalists are pressed to their announced conclusion. Persecution will, in his view, evidently destroy rather than consolidate faith in the South African context; but it would ill become anyone who is not African to make any comment on that point. Father Huddleston, as a white man speaking to other whites, is frankly casting about for means to bring pressure to bear on the Union government. He is not inclined to turn the other cheek, as his critics on occasion urged him to do "as a Christian," and as the Christian churches have done—in his view, wrongly. For he is not fighting on behalf of himself or trying to redress personal injuries; he claims the right to take up the scourge (or the sword) on behalf of the oppressed of another race. He speaks as a South African born.

Father Huddleston has not written a general exposé of the condition of black South Africans. He writes from his own experience as a pastor in Sophiatown, the African suburb of Johannesburg—he denies that it can be called a slum—in which Africans once had freehold rights now extinguished by the Union Government. He bases his arguments on issues of principle. Whether or not the new "location" is any better or healthier for the uprooted Africans, he argues that the destruction of rights is an act of sheer tyranny. He is right. It is the strength of his case that, in analysing the treatment of Africans in and outside Johannesburg from his first-hand knowledge, he sticks throughout to the restrictions placed on their liberty and the injustice of their treatment before the law and in the courts. Irrespective of their material condition in the shantytowns of the Rand, he establishes their status of helotage. It is the merit of this book that it shows what *Apartheid* means for the weaker race.

Father Huddleston makes the point that he is not negrophile in a general way. He "does not like the Africans," because nobody can like an abstraction; it is individual Africans that he likes and

loves. His case against Nationalist Native policy is that it treats the Native as an abstraction, and the result is untold suffering to real individual human beings such as he movingly, but often bitterly, describes. But he sometimes falls into the same error himself when speaking of the white South Africans, so that the Union's 2½ million whites are represented at times as an inhuman force, with a remorseless and evil core, and a penumbra of suburban indifference and hypocrisy. He will have nothing to do with the idea put about by many white South Africans that, whatever the law, they are in fact "good" to their natives, especially their servants; Father Huddleston's picture of domestic service in Johannesburg suggests that the Victorian "tweeny" was treated with deep humanity by comparison with the black houseboy or girl. But this means that one is brought up short when he produces the rare exceptions. Moreover, he fails to make his case complete when he describes, very movingly, the destruction of the mission schools under the Bantu Education Act. For he makes the assumption that the type of education purveyed to the African by the Native Affairs department will be inferior—an education to servitude; yet he does not describe it, or show how it is inferior to the education given by the mission schools.

These are weaknesses in a book otherwise so well informed and so passionately written that it will inevitably help to harden opinion in this country and America against the Union government (Father Huddleston's quarrel, however, goes beyond the government to the whole white population). Father Huddleston now despairs of the effectiveness of liberalism in the Union itself, and is clearly hoping for pressure from outside. He calls specifically for cultural sanctions; he wishes so to make the white South African stink in the nostrils of men of principle everywhere that artists and entertainers will refuse to go to the Union and international sporting associations will decline to have South African members. He suggests that the Commonwealth can hardly keep South Africa as a member. He does not, however, propose that business men should refuse to trade, or investors to invest in South Africa. But if he despairs of economic sanctions, which would at least inflict visible losses on South Africa, it is hard to see why he should assume that social ostracism would affect a people which, as he suggests himself, is every day sinking deeper into spiritual darkness and isolation. Would South

Africa mind being cut off from international rugby or cricket? Were not the Boer republics anxious to live cut off from the world in a biblical golden age of their own devising?

Like other books by South African liberals, "Naught for your Comfort" makes gloomy reading. The South African chapter in the long story of man's inhumanity to man may not be the cruellest; but it is bad enough, and there seems no early hope of its being brought to a close. It is a heavy liability to the West in the cold propaganda war. Father Huddleston himself has been withdrawn from the scene, and as their white friends are removed one by one, the Union Natives must turn more and more to devising means to organise themselves in secret and with secret leaders of their own.

Headquarters of the Revolution

THE COMMUNIST INTERNATIONAL, 1919-1943: Documents, Volume 1, 1919-1922.

Selected and edited by Jane Degras.

Issued under the auspices of the Royal Institute of International Affairs.

Oxford University Press. 479 pages. 55s.

THE Cominform has just been dissolved but the British public has no longer any excuse for ignoring the origins of its revolutionary ancestor, the Comintern. This excellent collection of documents of the Communist International comes at the right moment. The "return to Leninism" now proclaimed in Moscow is associated in certain minds with a return to Comintern traditions; some people even heard in the speeches of Mr Khrushchev and Mr Bulganin on their eastern peregrinations echoes of that earlier period. In fact, the Soviet envoys sound like pedestrian, bureaucratic reformists when compared with the stirring voice, full of revolutionary fervour, which emerges from these pages. Then the revolutionary tocsin was ringing openly its challenge to the established order for a mortal combat with no Queensberry rules:

To demand of the proletariat that like meek lambs they comply with the requirements of bourgeois democracy in the final life-and-death struggle with capitalism is like asking a man fighting for his life against cut-throats to observe the artificial and restrictive rules of French wrestling, drawn up but not observed by the enemy.

The Comintern was founded in March, 1919, when Europe was shaken to its foundations and the Communists deduced that European capitalism was tottering into its grave. Moscow was to be only a temporary headquarters of the revolution. The president of the executive committee, G. Zinoviev, allowed only weeks—months at most—for Communism to spread throughout the continent; England was given a year, the United States possibly two, and the peoples of Asia and the Arab world were already called to a "holy war against British imperialism." These illusions

were progressively dispelled by defeat in front of Warsaw and, above all, by the abortive rising in Germany in March, 1921. The retreat from war against Communism in Russia, Trotsky pointed out, coincided with the retreat of the revolutionary tide in Europe. Communists had to change their tactics from assault to siege, yet throughout this period they remained convinced that this was a temporary respite.

This belief explains both the challenging tone of the pronouncements and the methods of early organisation. Loose groupings could not be admitted because the Comintern was designed merely to assemble the disciplined vanguard of world revolution on the march. Gradually, however, contradictions appeared which were to dominate the International throughout its life. How were the interests of the Soviet state and the Communist movement to be reconciled once the world ceased to tremble on the verge of revolution? On one occasion, an Indian delegate branded the Russians as opportunists for including a non-interference clause in their trade treaty with Britain. Even Stalin, who transformed the Comintern into a tool of the Soviet state, could not entirely resolve these contradictions. But at the time when it was no such tool and when some suspicious delegates talked of shifting the centre away from Moscow, the Russian leaders could sincerely reply: we are only waiting to move it to Soviet Berlin.

In her previous work on Soviet foreign policy Mrs Degras has accustomed us to a very high standard of selection and presentation. In this new venture not only does she maintain it, but she also introduces the useful device of preceding each text by a brief introduction to place it in the general context. The book shows the gap separating the policies of the early twenties from those propounded at the latest congress, a gap created by Stalinism, by the spread of a brand of Communism to one-third of the world and by the nuclear stalemate. At the same time it shows the revolutionary heritage which, even after the dissolution of Cominform, the Communists cannot escape, however much they should try to hide in reformist clothing.

New Light on Imperfect Competition

QUALITY AND COMPETITION.

By Lawrence Abbott.
Columbia University Press. London:
Cumberlege. 238 pages. 30s.

THAT the argument of this book should appear as a startling novelty is no credit to the science of economics. Professor Abbott does not indeed claim any great originality for his basic idea, for which he finds antecedents in much modern analysis of imperfect competition. The novelty lies in his insistence that competition in "quality"—taking the word in the widest possible sense—is more central to economic progress, more all-pervasively a basic fact of

economic life, than price competition itself. His argument is based on psychological premises quite as realistic as the assumption that consumers will prefer to buy identical goods cheap rather than dear, and only very slightly more complicated.

People buy goods because they desire certain experiences—from the satisfaction of a physical appetite to a triumph over the Joneses—and believe that the goods concerned will make those experiences possible. Their basic wants (for experiences) vary with taste, temperament and age as well as with income; their derived wants (for goods) vary even more widely, since to these factors must be added imperfect knowledge. More or less intelligently and purposefully, consumers seek the products which fit their particular wants most closely; more or less intelligently and purposefully, producers modify and develop their products, or originate new ones, so as to meet the consumers' expressed or—equally important—latent desire for this closer fit. One may recognise both the motive of establishing some degree of monopoly power and the method of pseudo-differentiation by deceptive advertisements; but there is no need whatever to involve these in order to account for imperfect competition. Competition is two-dimensional—in price, and in adaptation of product to want; and it is no less real when concentrated on the dimension of quality, with stable prices, than when concentrated, as in the classical analysis, on the price of an unvarying and standardised product.

This general argument is reduced to schematic form in a succession of models no more and no less realistic than those used in the analysis of price competition, though admittedly still less capable of being compared with any real-life situation. This schematic analysis makes possible a rigorous demonstration that the generally accepted minimum-cost criterion of welfare and economic rationality would, if practically enforced, result both in a reduction of welfare and in economic stagnation. For minimum cost is only compatible with product differentiation if the consuming population—and, moreover, the consuming population situated in the same place—is large enough for each differentiated product to be produced on the optimum scale; yet product differentiation offers the only way of achieving accuracy in the filling of wants. Professor Abbott does not try to answer the inevitable question of how much sacrifice of quality (in the sense of that accurate filling of wants which depends on diversification) is worth any given gain in the realm of unit costs, or vice versa. In the siege economy, or the economy undergoing the strains of development from a primitive level, rough-and-ready satisfaction of wants at minimum cost is, on commonsense grounds, the most rational aim. But in a developed economy "diversity, variety, refinements, richness of opportunity for choice" constitute an entirely legitimate use of the margin of resources over bare subsistence.

It will be interesting to see what reception "Quality and Competition" will get from what one may call the puritan wing of the economic profession. The Puritans, it will be remembered, condemned bear-baiting not because it gave pain to the bear, but because it gave enjoyment to the spectators. One often gets the impression that in some quarters product differentiation is condemned, not because it goes beyond any rational ideal of consumers' welfare, but because it yields a profit to its originators.

Vision of Mitteleuropa

MITTELEUROPA IN GERMAN THOUGHT AND ACTION, 1815-1945.
By Henry Cord Meyer.
Martinus Nijhoff, The Hague. Distributed in the British Commonwealth by Batsford. 393 pages. 47s. 6d.

STUDENTS of European history and politics should not be put off by Professor Meyer's awkward and American style. His sentences are wildly inverted; and concepts, for example, are for ever being envisioned, for example, by the men and the governments he writes about. What is more important, his work is valuable both for its central argument and for the wealth of detail with which that argument is supported.

The central argument is that plans for the organisation of central and south-eastern Europe as a political, economic and cultural unity under German control held little interest for Reich Germans before 1915 and did not influence the policy of German Governments before the same date. When, so late in the day, the vision of *Mitteleuropa* did become popular in Germany and did occupy the attention of the German Government, the rest of the world was convinced that it had long been the object of pan-German plots, and that its achievement had been among the purposes of the German Government in beginning the war of 1914. In reality, interest in it was the product of war, and particularly of the blockade; and even in 1916 the German Government was more preoccupied with the obstacles and the opposition to *Mitteleuropa*, which were still formidable, than with its possibilities. Interest in *Mitteleuropa*, as well as being a late development, was shortlived. Before very long the German Government, under the influence of Ludendorff and of the collapse of Russia, was bent on establishing the much wider dominion of *Kontinentaleuropa*, stretching from France to Western Russia, from which *Mitteleuropa* was to be excluded. And after 1918, despite a revival of *grossdeutsch* sentiment in Germany and Austria, which aimed at the union of the two countries, and despite the use of the term *Mitteleuropa* by the Nazis, it was not *Mitteleuropa* but *Kontinentaleuropa*, based on new *gesamtdeutsch* and *grossraum* theories, which inspired German public opinion and underlay the policies of the German Government.

Professor Meyer's evidence for this thesis is much stronger in the field of public opinion than in that of Govern-

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ment policy. At some points, notably the Weimar period, what he says about German official circles is inadequately supported even if it is not necessarily wrong. His survey of the views of German publicists and journalists, on the other hand, is thorough and impressive; and there are several problems connected with official policies on which his work is stimulating. Those who are interested in wider questions than *Mitteleuropa* as such will find it valuable on Bismarck, for example, on the Baghdad Railway and on the motivation and development of *Weltpolitik* in the period between the fall of Bismarck and the outbreak of the first world war.

The PRO

THE ENGINEERING OF CONSENT.
Edited by Edward L. Bernays.
The University of Oklahoma Press:
Norman. 254 pages. \$3.75.

THE slightly sinister title of this book, with its Machiavellian implications, conceals nothing more alarming than our old friend the public relations officer at work—a team of eminent American public relations officers, indeed, headed by Mr Edward Bernays, who is described on the jacket as “the dean of public relations counsellors.” Since in America the profession of public relations is reputed to be extremely advanced and rated very highly, this pronouncement demands careful study, and, in point of fact, deserves it.

Mr Bernays and his colleagues set out to prove—and most persuasive they are—that

professionally, public relations activities are planned and executed by trained practitioners in accordance with scientific principles, based on the findings of social science. Their dispassionate approach and methods may be likened to those of the engineering professions which stem from the physical sciences.

This flattering conception has at least the virtue of raising public relations practice above the level of the publicity stunt or the press officer's routine, and for that we may well be grateful. Unfortunately, the social sciences are neither so exact nor so far advanced as Mr Bernays implies, and even this stimulating blueprint leaves us still grappling with the imponderables.

Most public relations problems, says Mr Bernays, can be handled effectively by the following sequence of actions:

1. Define your objectives.
2. Research your publics.
3. Modify your objectives to reach goals that research shows are attainable.
4. Decide your strategy.
5. Set up your themes, symbols and appeals.
6. Blueprint an effective organisation to carry on activity.
7. Chart your plan for both timing and tactics.
8. Carry out your tactics.

This is a sound enough programme, though it is consoling to discover that Mr Bernays's team, elaborating his eight basic points chapter by chapter, do not

tell us anything new. What they do, and it was worth doing, is to insist upon the need for research, planning and method, and emphasise the importance of top level consultation at the earliest formative stages of public relations policy.

There are in this country many public relations counsellors, to borrow the impressive American title, who may not find much in this book to change their thinking, but will welcome it as an authoritative exposition of the American approach. They may be as uneasy about the ethics of the entertaining chapter on strategy as the author, Nicholas Samstag, who surprisingly quotes Senator Joseph McCarthy as an example of a career of “successfully calculated risks.” They may reflect that Lord Northcliffe forty years ago anticipated the entire chapter on planning public relations in one phrase when he said, “policy is to propaganda what news is to a newspaper.”

They will agree, however, that if senior management and the upper hierarchy of Whitehall could be persuaded to consider the arguments advanced by Mr Bernays and his team, public relations might be given in this country the opportunities for service which it has earned in America.

Potpourri

PLEASURES OF THE PAST.
By Iris Brooke.
Odham's. 175 pages. 18s.

IT is difficult to stifle prejudice against a book that is admittedly made up of snippets and tit-bits of information, and one sniffs rather warily at Miss Brooke's potpourri of pleasures. It is apparent that she herself, in reading the letters and diaries of ordinary or extraordinary people, has been able to recapture the sense of happiness and excitement which animated them in the past; in the more formidable task of sharing her delight with her readers she is not always successful. Appreciation of a vanished point of view depends so much on experience and mood, and it is impossible that all of the extracts here collected should ring the same bell with everybody; furthermore, in her connecting commentary, the author sometimes uses an encyclopaedic style which is prim rather than mirthful, and one is reduced to the discomfort of a stony recipient of the joke that caused a jollier soul to scream, roar or simply die.

After this carping caveat, let it be freely admitted that the book is full of novelty, grace and charm, both in its subject-matter and illustrations. Miss Brooke's constant references to background detail in well-known and accessible paintings and prints make a valuable and delightful comment on the social habits of other generations, and underline her own expertise in the matter of costume. She stresses the ubiquity of water-sports from the fifteenth to the eighteenth century. These solved the problem of muddy and malodorous streets, menaced by cut-purses

and cut-throats, while the splendidly mounted river pageants catered to the love of lavish display which is satisfied by technicolour in less heroic times of potted amusements—and supposedly less dependable weather.

The book is certainly a dipper's paradise, and even the reluctant dipper emerges with a fresh perspective on the more colourful days when bull-baiting and cock-fighting were pursuits for the gentry, but the “bloody murdering practice” of football was only fit for soldiers and rascals in the street; when lolling at billiards was an “unhandsome offense,” and scattering tobacco ash on the cloth a “stinking indecency,” and when eggs, oranges and firework squibs took the place of paper streamers.

Shorter Notices

ARGENTINA.
By George Pendle.
Royal Institute of International Affairs.
169 pages. 12s. 6d.

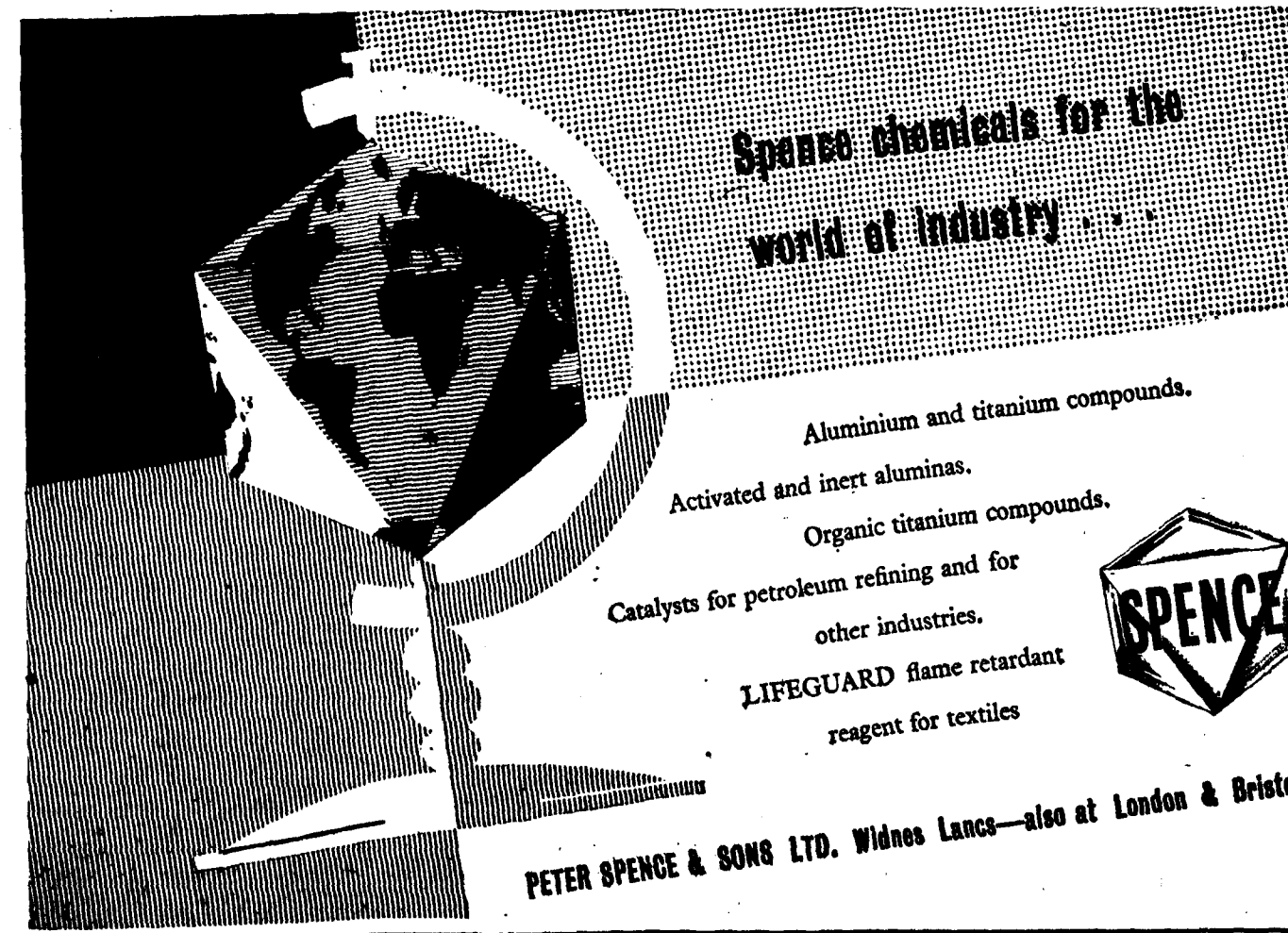
Mr George Pendle is London's foremost authority on the lands around the River Plate, and he has now added to his studies of Uruguay and Paraguay an excellent volume on Argentina. It is fair to say that the present book is the best survey of Argentina's physical characteristics, history and recent political development yet offered to the general reader. To the more advanced student it will prove a handy work of reference, with an excellent bibliography.

Although Mr Pendle surveys the whole of Argentina's rather agitated history, he concentrates on the period following the revolution of September, 1930, and manages to conclude his study with the very day of General Perón's resignation a quarter of a century later. Between these dates arose the “New Argentina,” a state whose exact political future cannot, at present, be foreseen, but whose international importance it would be foolish to overlook. Argentina is a “remote colossus,” but it is a colossus nevertheless, and developments during the past few years suggest that Russia is aware of that fact even when the United Kingdom tends to forget it. Part of the trouble is that the ordinary Englishman thinks of Argentina only in relation to a shortage of beef or to loud recriminations about the Falkland Islands. Mr Pendle touches on both subjects and his discussion of rival claims in the South Atlantic is particularly illuminating, but his book shows that there are better reasons for getting interested in Argentina.

SHAPE-UP AND HIRING HALL.

By Charles P. Larrowe.
California University Press. London:
Cambridge University Press. 259 pages. 34s.

This book is a comparative study of the “shape-up” system, whereby dock labourers are employed on the New York waterfront, and the hiring halls operated by unions, employers, developed on the west coast. It is both a history of the troubled labour relations in American harbours and a fascinating analysis of the factors responsible for the crime-ridden state of New York docks as compared with the progress made in Seattle.



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American Survey

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President's Veto

Washington, D.C.

LAST week the Farm Bill confronted President Eisenhower with easily the most difficult domestic decision he has had to make. Possibly the bearing of declining farm incomes on election results has been over-rated: the farm population is now a lower proportion, roughly one eighth, of the total population than ever before, and by no means all farmers are affected by the price support and other actions taken in Washington. Nevertheless, there is no denying the fact that the decline in farm prices and incomes during the past four years has gone far enough to affect the chances of the Republicans seriously in a number of important states next November. Thus the President had as strong a political motive as could be imagined for signing the Bill. It would have raised rather sharply the level at which the government supports the prices of nine important crops and of dairy products; and it would have provided a tremendous increase in the sums available for taking off the market "price-depressing surpluses" of livestock, which are not subject to direct price supports.

But the Bill violated a major principle for which the President has stood resolutely and, perhaps more important from the foreign point of view, its "two-price" plans for rice and wheat contained a real threat of dumping far beyond anything done by administrative action so far. For domestic purposes, of course, the argument has been over the principle of "rigid," or fixed, price supports at 90 per cent of parity (a price designed to keep farm purchasing power at a "fair" level in relation to the past) and "flexible" support prices ranging downward from 90 per cent to 75 per cent of parity and varying with conditions of surplus or shortage. Because his Administration had made such an unequivocal stand against rigid 90 per cent supports, the President could not in good conscience sign a Bill returning to that concept, even if it was only for one year.

Increasingly, serious students of the American farm problem are becoming convinced that it is the simple existence, not the level, of price supports that produces surpluses, but this did not matter in the political context nor, probably, in the President's mind. He felt he had to veto the Bill because it returned to 90 per cent supports for five of the "basic" crops (wheat, cotton, maize, rice and peanuts), because for the first time it made supports mandatory for four other crops (oats, rye, barley and grain sorghums), because of the two two-price plans, and because of a provision which would have distorted the formula for computing parity prices.

Unfortunately, the President's veto may well have killed

all chance for a start this year on the first imaginative new approach to the farm problem in a decade. This is the "soil bank." It would cause the classical economists to turn in their graves, and it offends those who refuse to believe that true "surpluses" are possible while people anywhere are hungry, but it is at least a practical scheme for actually doing something about the surpluses. Under it the farmers would be paid to take land out of production and plant it with soil-building crops or grass or trees. Production would be reduced, the fertility of the soil would be improved, the ground would be prepared for the inevitable agricultural future of fewer crops and more livestock—all at a blow. There has been amazingly little controversy about the soil bank, except over the question of whether it should be compulsory. Yet by vetoing the Bill the President vetoed the soil bank, too.

*

The veto has an additional Alice-in-Wonderland quality about it. For the President accompanied his rejection of the Bill with an administrative action which raises support prices substantially for wheat, maize and rice; he also implied that, when support prices are announced for cotton and peanuts, they will be higher than had been indicated earlier, and he raised the support prices for dairy products. All of these new levels, ranging upward from 82 per cent of parity, are much higher than would be required by a strict, or even a reasonable, interpretation of the "flexible" support principle. All of these crops, except peanuts, are in heavy surplus, and by the "flexible" logic the level for all of them should probably drop the full way down to 75 per cent. In effect, the President has argued that high support prices produce surpluses and harm the farmers, and has then promptly raised the support prices "to improve farm income now"—which means before the election. If the President's argument were right, then he has acted in a way which will increase the very surpluses which he considers to be at the root of the farm problem.

In fact, however, his action will probably have no noticeable effect one way or the other on the surplus problem—and neither would the price-support features of the Bill which was pushed through Congress by the Democrats and which the President vetoed. The limited experience so far with the Republican principle of flexibility bears out a theoretical contention which is being made more and more frequently: lower support prices for the crops in question, at least when the floor is as high as 75 per cent of parity,

neither increase demand nor deter production. It apparently remains more profitable to produce wheat at \$1.80 a bushel—even when it used to be \$2.15—than to use the land for something else, and when it comes to a loaf of bread the difference between the two prices is less than a cent. Export demand is unaffected because even the lower levels of support remain well above world prices. Only in the case of cotton might lower prices help, and there only on the demand side by making the fibre more competitive with synthetics.

It would be impossible for the President to make the admission, but it is becoming clearer every day that lower support prices—as long as there is a relatively high floor—contribute hardly at all to the solution of the American farm problem. By the same reasoning, as long as prices are supported and production is controlled only through restrictions on the acreage that may be planted, rather than on the amount that may be grown, surpluses will develop. The history of American farm policy over two decades has shown that surpluses have always been built up, almost irrespective of the level of support prices, until a war has come along to allow the government to disgorge its hoard.

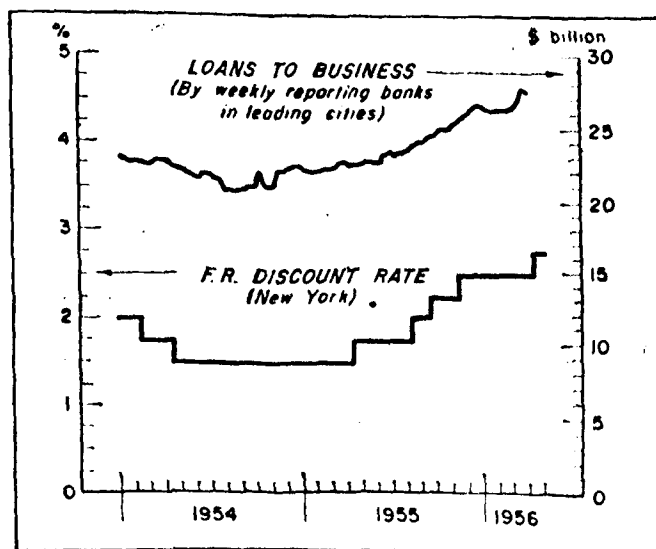
To sum up, the President has killed, fortunately, some genuinely dangerous items in a very muddled Farm Bill; he has salved his conscience and upheld a "principle" by rejecting supports at 90 per cent of parity; he has given farm income a fillip by raising support prices to nearly 90 per cent within his administrative discretion; and he has probably lost all chance of the soil bank this year. And thus the American farm headache will continue much as before. Technological improvements will keep output ahead of demand even on the reduced acreages required under the price support system; the government will continue to spend between \$2 billion and \$3 billion a year to buy up crops which can be sold later only at a loss, and usually for foreign currencies which do not help the American taxpayer; the very existence of the surpluses will continue to depress prices for the farmers, and foreign countries will continue to live in terror of American dumping.

Inflation in the Air

FRIDAY, April 13th, justified its reputation to the businessmen whose heavy demands for funds have been pushing up the figures for bank loans in a way that is not only surprising in itself but has also provided almost the only obvious statistical evidence of mounting inflationary pressure. On that day the discount rate, the interest which the Federal Reserve Banks charge on money lent to other banks, which in their turn lend it to business borrowers, went up from 2½ to 2¾ per cent at nine of the twelve Reserve Banks; at San Francisco and Minneapolis it went up to 3 per cent and Chicago was expected to increase its rate soon after. The speed and relief with which member banks took this hint and raised their charges to their own customers was final proof of how hard pressed they had been for loanable funds.

The advance in the discount rate, the first this year although the fifth in the last twelve months, was intended to check the spring boom, but certainly not to cut it off entirely. The economic indicators are about to shoot up

seasonally and there was reason to fear that the growth might be unhealthily large. For the general statistical quiescence since the beginning of the year has concealed a number of disturbing variations, notably in the price indices, where declines in farm and food prices have offset rises in the costs of industrial commodities. These rises are likely to gather strength in the next few months, mainly as a result of wage increases. It is taken for granted that the steel workers are soon to be given substantially higher



pay and that the outcome of other pending wage negotiations will be similar.

In anticipation of these increases manufacturers have been building up their stocks; this explains the extraordinarily high demand for steel at a time of slackened activity in the automobile industry. But once the expected price increases have materialised, businessmen may reduce their orders and live off their stocks for a while, thus perhaps setting off the dreaded "inventory recession." The danger of an excessive accumulation of stocks should be reduced now that it costs more to borrow money to purchase supplies in advance. Higher interest rates may also induce some businessmen to postpone buying new plant and equipment. The unexpected buoyancy of their plans for capital spending, once they knew that Mr Eisenhower was prepared to stand for the Presidency again, is another reason why inflation suddenly seems to be very much in the air.

Dilemmas for Democrats

IT has been reported that some Democrats are thinking of General Gruenther for the party's presidential nomination. If this were true, it would illustrate graphically the state of confusion in which Democratic kingmakers find themselves as they search for someone to put up against President Eisenhower in November. The latest primary elections, moreover, have increased this confusion. Stunned by his defeat in Minnesota, Mr Adlai Stevenson came back strongly in his home state, Illinois. More than 700,000 Democrats supported his bid for the presidential nomination and, although this was some 30,000 less than the

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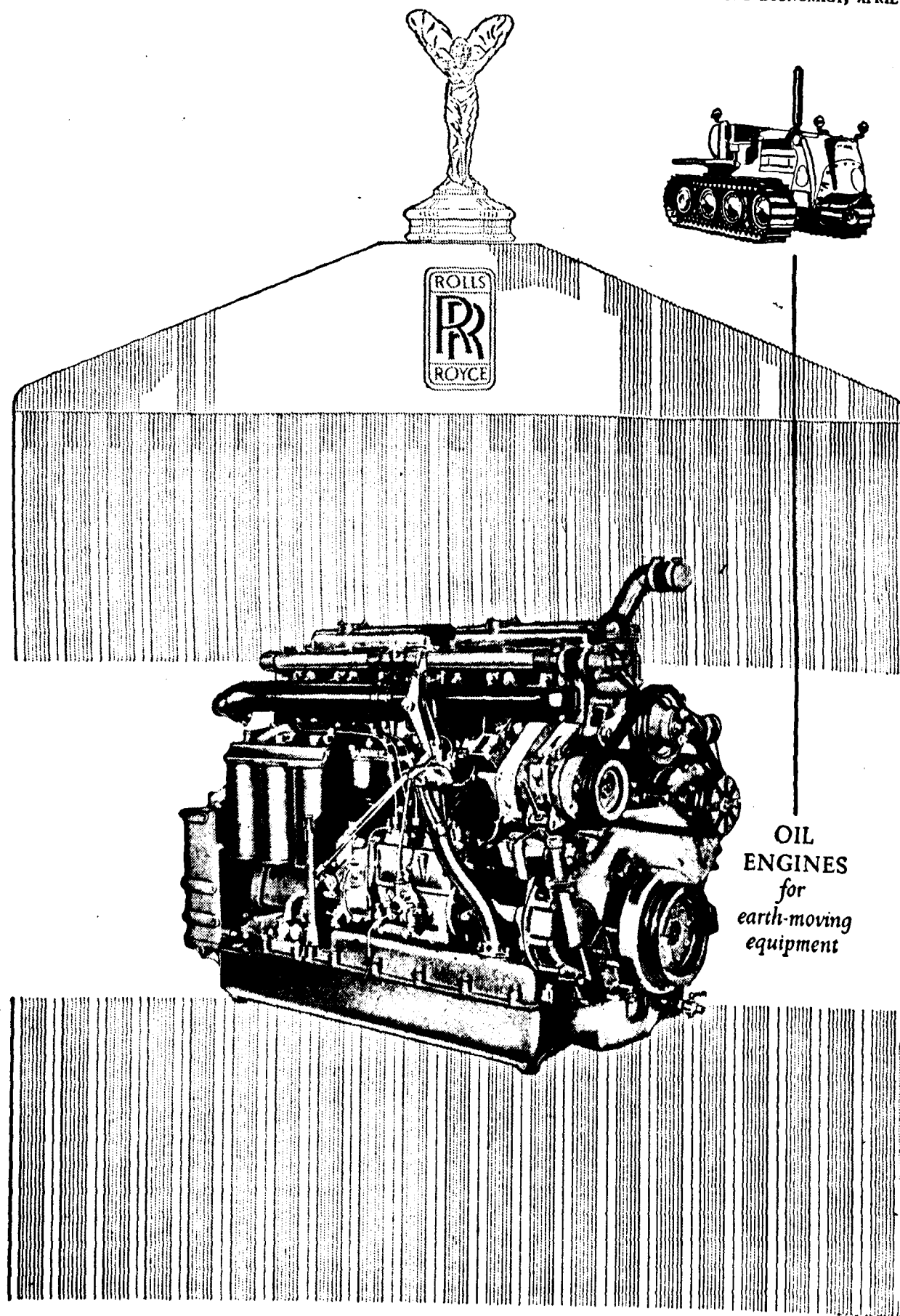


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number of Republicans who voted for President Eisenhower, it represented a tremendous victory over Mr Stevenson's main rival in his own party, Senator Kefauver. The latter had not campaigned in Illinois but had expressed the hope that his supporters would inscribe his name on the ballot. Only 4 per cent of the voting Democrats heeded his appeal. In the primary in New Jersey this week the results were more difficult to interpret. In a straight "beauty contest," Senator Kefauver obtained only about 104,000 votes against well over 300,000 for Mr Eisenhower. In the more decisive contest for New Jersey's 36 votes at the Democratic National Convention there were two lists of delegates. One was committed to Senator Kefauver and the other was an "uncommitted" delegation led by Governor Meyner. Mr Kefauver's men were overwhelmingly defeated.

Until a month ago, this would have counted as a clear win for Mr Stevenson, who had long enjoyed Governor Meyner's support. But at present, the Governor and his delegation are insisting that they are going to the convention with open minds. And this seems to be the position of many Democratic leaders, including Mr Truman. The five primaries which have taken place so far have not decided the race between Mr Stevenson and Senator Kefauver. What should prove to be the decisive clashes between them are due in Florida at the end of May and in California on June 5th. If no clear-cut result emerges, the party's hunt for a third man will become more intense.

Democrats are, however, deriving comfort from the fact that in the primary elections in Illinois, Minnesota and Wisconsin their vote increased compared with 1952 while the Republican vote declined. Is this the famous revolt of the farmers on which the party is basing its hopes, or is it merely that Republicans feel that they do not have to show now that President Eisenhower will be their man in November? These, in the final analysis, are more important questions than whether the Democratic candidate will be Mr Stevenson, Senator Kefauver, Governor Harriman of New York, Senator Symington of Missouri, or one of the other dark horses now cavorting in the paddock.

Professors Talk Back

FROM A CORRESPONDENT IN ST LOUIS

AMERICAN academic freedom, which has been grimly beleaguered during the last few years, made a vigorous, if belated, counter-attack when the American Association of University Professors held its 42nd annual meeting in St Louis at the end of the first week in April. The association, whose 37,500 members comprise about one-quarter of the academic staffs of American colleges and universities, has often defended professors who find themselves in difficulties with their respective university administrations over academic rights. This time it took the offensive and voted to censure eight institutions which had violated academic freedom in various ways. The AAUP may have been prevented from acting earlier because there were so many individual cases needing its urgent attention, but meanwhile many people felt that the organisation was doing little to carry the battle to the enemy. Membership, which had more than doubled since 1945, dropped sharply

during 1955 and officials ascribed at least part of this decline to the association's failure to take a forceful public stand.

At this year's meeting, with a new general secretary in office, the AAUP made up for past deficiencies. It approved a carefully prepared statement of principles condemning the removal of a professor on the sole ground that he or she is or has been a Communist, or has invoked the Fifth Amendment—which is a witness's constitutional safeguard against self-incrimination—to avoid testifying in an official investigation. "Removal," it was stated,

can be justified only on the ground, established by evidence, of unfitness to teach because of incompetence, lack of scholarly objectivity or integrity, serious misuse of the classroom or of academic prestige, gross personal misconduct, or conscious participation in conspiracy against the government.

This forthright attack on the doctrine of automatic dismissal because of Communist affiliations or the use of the Fifth Amendment was bound to draw critical fire from outside, and even from some members of the AAUP itself to whom it seems strong medicine. At the actual convention, however, most objections came from the liberal wing. There were fears that such general phrases as "lack of objectivity or integrity" might provide enemies of academic freedom with convenient loopholes. Conservative criticism became vocal only when the convention moved on to approve concrete resolutions of censure against eight institutions—the University of California, Ohio State University, the University of Oklahoma, Temple University, Rutgers University, St Louis University, the Jefferson Medical College and North Dakota Agricultural College—for infractions of academic freedom and tenure. Six of these were cited for having dismissed professors merely for refusing to co-operate with congressional committees or for refusing to take "loyalty oaths."

Critics, including delegates from some of the censored institutions, argued that there had been insufficient investigation, because the reports on which the resolutions were based dealt only with the public records of the cases and did not include inquiries at the colleges themselves. They also complained that debate was limited, though the majority pointed out that this was essential if the two-day meeting were to conclude its business. It seems, however, that the committees of the AAUP had weighed the evidence carefully before making their recommendations; and if AAUP gains new members during the year, this will give some indication that its clear, new voice has been welcomed in the academic community.

United States?

ON April 2nd the Supreme Court decided that the State of Pennsylvania had no right to convict a local Communist leader under its anti-sedition law because Congress had made sedition "a matter of vital national concern" and had "occupied the field to the exclusion of parallel state legislation." This verdict quashed anti-Communist laws in forty-one states and Hawaii and Alaska. It also set off yet another round in the mounting battle between the federal government and the champions of the rights and sovereignty of individual states. This battle is now being waged on

many fronts: on the issue of racial segregation in publicly financed schools; over the right of the federal government to conclude treaties which may involve the concerns of individual states; on whether or not state legislatures can make laws to protect industries within their own borders against foreign imports.

To call a halt to the "dangerous disease that has threatened to destroy completely the sovereignty of the states," a group of Congressmen is sponsoring a Bill which would profoundly modify the whole structure of American government. The measure was devised some time ago by Representative Howard Smith of Virginia, who was personally outraged by the Supreme Court's decision. For in ruling state laws invalid, the Court claimed that it was interpreting the intent of the Anti-Sedition Act of 1940, which bears Mr Smith's name. Fundamentally, the new Bill would assert that no Act of Congress excludes state laws on the same subject, unless Congress specifically wishes it to, and that no law passed by Congress invalidates a state law unless there is a positive conflict between them. In effect, this Bill would be a Magna Carta for states' rights and would hamper the federal government's regulatory functions in such vital domains as public welfare, transportation, natural resources, agriculture, navigation and labour relations.

Mr Smith's Bill is being supported by a motley band ranging from southern Senators eager to preserve racial segregation to State Attorney-Generals and such private groups as the National Association of Manufacturers, which has long resented federal interference with local labour laws. It seems fantastic that such a measure could receive serious consideration a hundred years after the Civil War, but Mr Smith is a shrewd tactician and can enlist much passion on his side.

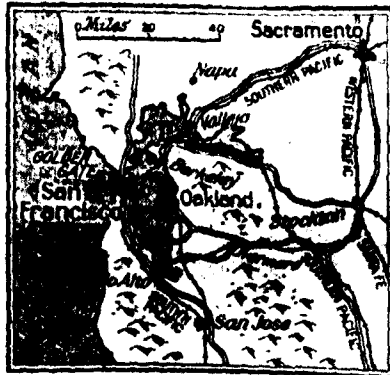
Queen Mother of the West

FROM A CORRESPONDENT IN SAN FRANCISCO

THE scum which the westward moving wave of emigration carries on its crest," wrote Lord Bryce in 1888, "is here stopped, because it can go no further. It accumulates in San Francisco. . . ." It was here that fifty years ago, on the morning of April 18, 1906, a great seam in the earth's surface settled abruptly, shaking the city and surrounding areas with a violent earthquake. Dozens of fires were fed by broken gas pipes and, because water mains had burst, the flames gutted four square miles of San Francisco's heart in the next few days.

In spite of the speed of its rehabilitation, begun "even before the ashes were cool," the lovely city of the twenty-one hills entered on a new and different phase of the history which began with the Gold Rush, some sixty years before. Not only did the wicked Barbary Coast and the Chinatown of opium dens and tong wars disappear in 1906—to be replaced by a neon-lit tourist bazaar offering Japanese goods—but the city at the Golden Gate began to lose its commercial and political pre-eminence. Yet while special local conditions, particularly geographic ones, have kept San Francisco from a full share in the spectacular twentieth-century growth of the West, the unusual character of the city has enabled it to retain its nineteenth-century leadership.

Before the disaster of 1906, San Francisco, with its 425,000 inhabitants, dwarfed all its rivals on the Pacific Coast and contained about 30 per cent of California's total population. Its magnificent harbour was the port of entry to the entire West and the gateway to the Orient; San Franciscans controlled much of the wealth and wielded most of the political power in the state. Today, although the city's population has nearly doubled, California has ten times as many inhabitants as in 1906. Almost alone among the cities in the state, San Francisco is now growing only slowly, if at all, while Los Angeles, with more than five million people, is still growing fast enough to maintain its proportion of about 40 per cent of the state's population. Both San Diego, in the far south, and Oakland, on the eastern shore of San Francisco Bay, now have approximately the same number of people as San Francisco.



The whole "San Francisco Bay Area," with its 2,500,000 inhabitants, is indeed expanding rapidly, but industry and population have grown faster in southern California where the climate is warmer, the terrain is more suitable, and trade unions are weaker than in San Francisco. Moreover, the city's cramped site—seven square miles, mostly on hills, isolated by water and steep ground—has encouraged industries to establish themselves far outside its limits. Greater population brings greater political influence: representatives of southern California and of rival cities in the northern part of the state outnumber those from San Francisco in the State Legislature and in Washington. Today's most prominent northern Californians, Senator Knowland and the Chief Justice of the United States, Mr Warren, are both from Oakland. San Francisco has no powerful leaders in either political party.

It has also lost much of its importance as a hub of transportation. All but one of the trans-continental rail routes have their northern Californian terminals in Oakland, for there is no railway bridge across the bay. Similarly, ocean cargoes are now more often handled at Oakland or the inland port of Stockton. The dwindling of intercoastal ocean traffic, the collapse of trans-Pacific passenger travel and the removal of the rich China trade of earlier decades have reduced still more the importance of San Francisco's renowned harbour. Finally, the increasingly heavy air traffic to the Orient tends to go by way of Seattle, from which the great circle route to Tokyo is 2,000 miles shorter than by way of San Francisco and Hawaii.

While other American cities are undertaking vast projects of redevelopment for areas blighted by the movement of population to the suburbs, San Francisco's urban and regional planning has been hamstrung by history and geography. The 1906 disaster, although it cleared much of the city of what would today be very old buildings, also encouraged some hasty and haphazard rebuilding. Lack of space has caused random "redevelopment" of individual sites. As a result, it is difficult to obtain agreement for re-building an entire area, particularly from those who have



Mr. H. Tipping, the Burroughs man (on the left), discusses with Mr. Ambler, Director and Secretary of Schofields, the new system, based on Burroughs equipment, that they worked on together for speeding the preparation of customers' monthly statements.

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new or valuable property in an otherwise run-down quarter. The magnificent bridges which link San Francisco with its outlying areas have helped it avoid the decay resulting from the slow growth of nearby suburbs. But because of the distance and toll charges on the bridges, the suburbs have tended to become economically independent. While encouraging the city's office workers to move their homes and families and much of their shopping elsewhere, the bridges have also encouraged them to come to work in their automobiles, causing extremely serious traffic congestion inside San Francisco. The jealousy of neighbouring cities and the absence, until recently, of any regional authority to organise, plan and finance a system of public transportation have intensified this problem.

Despite its difficulties, however, San Francisco remains a very important place. As a financial centre it is second only to New York and it is still the headquarters of most of the largest corporations on the West Coast. It contains more federal officers and employees than any other city except Washington, and is the seat of several sections of the Californian state government. Moreover, it continues to attract an unusual number of professional and other people seeking a pleasant life. A recent report by researchers from Yale University, that San Francisco has the largest concentration of alcoholics of any American city, drew the explanation from a local sociologist that, as a mecca for the ambitious and creative, the city generates more than the usual number of broken dreams which need to be drowned.

San Francisco's appeal is in large measure physical. Its dramatic setting, picturesque topography and equable climate make it one of the world's most alluring cities—a fact which even Mr Molotov conceded. Its famous cable cars, restaurants, flower stalls and cosmopolitan atmosphere give it additional charm. Its residents are famous, too, for the independence of their thinking, for their aloof refusal to make concessions to popular taste, for their eccentricities and for their elegance. It is with some justice that San Franciscans, commemorating the catastrophe of fifty years ago, can still cite a further observation of Lord Bryce: "California, more than any other part of the union, is a country by itself, and San Francisco a capital."

Preparations for Statehood

FROM A CORRESPONDENT IN THE PACIFIC NORTHWEST

NEXT week the people of Alaska are expected to endorse a move which is designed to shake both the President and the Congress out of their apathy on the subject of statehood for this huge Territory which can only be reached from the continental United States by crossing some 1,500 miles of Canadian soil or Pacific water. The people of Alaska have already voted several times overwhelmingly in favour of statehood. Now they are preparing for the hoped-for honour of full membership in the Union in a more concrete way. Alaska has drafted its own State Constitution and, in addition, has made plans for the election of two Senators and one Representative, who would compose its delegation to the United States Congress when it becomes a state. These three are intended to go to Washington, D.C., to rap on the federal door until Alaska is admitted. It is a strategy that, in the past, gained

statehood for at least seven Territories, including Oregon, which at the time of its admission in 1859 was, like Alaska, separated from the main body of the United States by a vast distance. Alaskans will go to the polls on April 24th to ratify this new Constitution and to decide whether they approve of the plan for the "premature" election of a congressional delegation. If they do so decide, and public opinion appears to be in favour of both propositions, the Senators and Representative will be elected at the November general election, just as are the congressional delegations from the 48 official states.

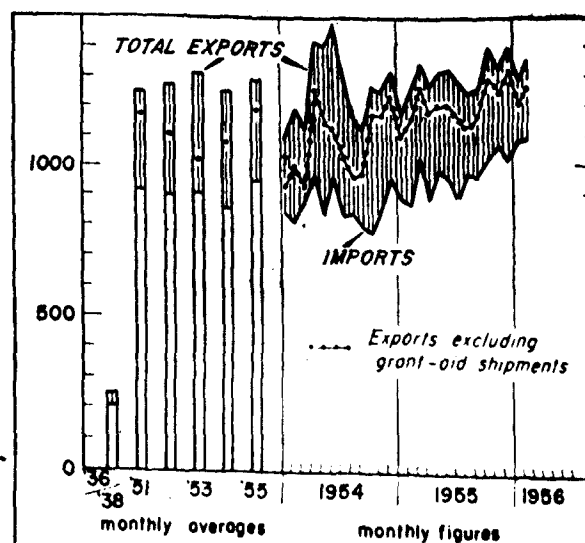
The proposed Alaskan Constitution, drawn up by 55 elected delegates in a 75-day session that ended last February, was called "one of the finest documents of its type ever written" by a committee of political scientists who served as professional advisers to the delegates. It has several features not usually found in state constitutions. Executive power is concentrated in the office of Governor, and only one other official is to be elected, a Secretary of State, who is, in effect, a Lieutenant Governor. All other executive officers would be appointed by the Governor, some with the consent of the Legislature. The Governor would have the power to veto separate items in appropriation bills. Article I of the Constitution is a detailed "Declaration of Rights," going farther than the United States Bill of Rights. One section reads:

All political power is inherent in the people. All government originates with the people, is founded upon their will only, and is instituted solely for the good of the people as a whole.

The voting age is to be nineteen, two years below that fixed in all but one of the present 48 states; voters in Georgia have the franchise at eighteen. Judges would be appointed by a non-partisan "judicial council," but each jurist would have to stand periodically for approval or rejection at a popular election. Seats in the State Legislature (20 in the Senate, 40 in the House of Representatives) would be allocated strictly on a basis of population, and reallocated regularly as the population shifted, a provision which is lacking in many State Constitutions. But it seems doubtful whether even a constitution of this high quality, and a congressional delegation ready and waiting, will be enough to secure the speedy admission of this new state.

FOREIGN TRADE of the UNITED STATES

MILLION DOLLARS



The World Overseas

Khrushchev on the March

FROM OUR SPECIAL CORRESPONDENT LATELY IN RUSSIA

THE main economic defects of Soviet socialism have been its failure to provide the population with anywhere decent to live or anything much to eat. Whatever their pride in the regime's other achievements, Russians do not try to conceal these particular shortcomings from the visitor. They are very interested indeed in housing and food production under the sixth Five-Year Plan.

In his report to the Congress Mr Khrushchev announced that twice as many houses would be built in the next five years as during the last. This is really only a drop in the ocean. But agriculture is receiving enormous attention under the new Plan. Probably the reputation of the First Secretary, who has gone full pelt for maize and virgin lands, will stand or fall by the results. The regime is bound at long last to do something for a population which is now more dependent on bread, cabbage and potatoes than in 1913, 1928 or 1938. There has, it is true, been a considerable improvement in milk supplies during the last two years, but otherwise the national diet remains about the starchiest and least interesting in Europe.

The trouble about Communists is that they can never set economic targets without dressing them up in world-historical uniform. Thus, hard on the heels of the new investment plan for agriculture has come a decree (described on page 682 of *The Economist* of March 31st) concerning the revision of the 20-year-old statute of the collective farms. It reveals that the Presidium intends to do more than provide more food in the Soviet Union; it is also determined to press on with its ideological policy of abolishing the old country life and refashioning it in the image of the town. This may be good Marxism; but it is often a Marxism more Groucho than Karl. Your correspondent certainly expected at any

moment to see Groucho appear in person during his visit to a Ukrainian collective farm, where he saw some interesting early 19th century milking with an apparent milkmaid-cow ratio of three to one.

The financial system of the Stalinist collective farm has been very complicated and immensely corrupt. The late tyrant's agricultural policy was to extort the utmost from

the *kolkhozy* through compulsory delivery quotas, for which the state paid very low prices, selling the food to the public at a large profit which swelled the budget under the heading of turnover tax. The *kolkhozniki* themselves had two sources of income: their residual share of the farm's takings after all outgoings had been paid, and profits from the sale of the produce of their own plot on the free market. Their practice was to fake their own working-day contribution to the labour of the collective farm wherever possible and to spend the maximum time marketing their private produce. Last year this ideologically deplorable state of affairs prompted the state to sack one-third of all the chairmen of collective farms and to replace them

by "experienced cadres from the towns."

Since Stalin's death both compulsory delivery prices and over-quota prices have been drastically raised. This has increased the incentive of the collective farmers to work for the farm rather than for themselves. But further changes were necessary. Under the new decree the State Bank is to make things yet easier for the truly collective farmers by offering them substantial advances from state revenue.

The ideological aim of the new measures is to isolate the "lazy fellows" who work too much in their private gardens and not enough on the collective land, and turn



them into a rural proletariat. On the state farms (*sovkhozy*) such people cannot exist because all labourers there have the status of industrial workers, to whom state-fixed wages are paid, and who work under ordinary factory discipline. The regime would certainly like to turn *kolkhozy* into *sovkhozy*, "the highest form of Socialist property in agriculture." But there are as yet only about 5,000 state farms as against 90,000 collective ones. In this transitional period the policy of the Communist party must be to penetrate the *kolkhozy* with its own nominees. Already the agronomist of the Motor Tractor Station is an all-powerful executive and beneath him there is an élite of minor officers, farm foremen and MTS workers. The decree of March 10, 1956, is designed to increase these people's power and privileges. What resistance the semi-peasants will be able to offer if threatened with confiscation and other discipline remains to be seen.

By western standards Soviet agriculture is still primitive. It needs more tractors, much more fertiliser and above all more skill and care. According to Mr Khrushchev, mechanisation is patchy, MTS's are slovenly and cost-accountancy is in its infancy. A difficult climate, German plundering, lack of investment and the upheaval caused by Stalin were some of the reasons for failure. But in a country in which over half the population is still engaged in agriculture the results have been abysmal indeed.

Climatic Hazards

Mr Khrushchev, himself a tremendous worker and successful boss of Ukrainian postwar reconstruction, has set himself to the task with a will. Nothing could be more spectacular than his programme. It is to raise total grain production to 180 million tons (or twice the estimated barn yields of 1953) by the end of the Plan. It is to double the wheat and milk production of 1955 and more than double that of eggs and vegetables. The wool clip is to rise by 82 per cent and potatoes by 85 per cent. What are his chances?

In order to get the vast increase in fodder grain, Khrushchev is planting an incredibly ambitious area of maize. (The poetic Russian word *kookoorooza* fairly bubbles from the mouths of the propagandists and sounds particularly well in conversation in the Moscow underground.) But before he can complete this he must be assured of a huge quantity of marketable wheat from fresh sources. To this end 28 to 30 million hectares—an area equal to the arable land of Canada—of virgin or long fallow lands are being brought under cultivation in western Siberia and northern Kazakhstan. Once this is done, there can be a big expansion of the maize area in the Ukraine and the Kouban (North Caucasus).

The new lands are climatically hazardous. Rainfall is low, the growing season short and snow-cover inadequate. Komsomol volunteers are the backbone of the venture but many of the pioneers are redundant civil servants, resettled former forced labourers and miscellaneous bad hats. Free transportation and a gift of three months' pay are offered to those who stay a year. But one hears in Moscow that there are not a few dispirited returnees to European Russia.

Several factors make the new lands policy desirable in Soviet eyes. The area is insulated from the corrupting influence of urban free markets; a vast extension of the *sovkhoz* system automatically results; appeal can be made indefinitely to the zeal of unsatirical Russian youth. As

an economic venture it is very hard to consider the campaign at all because there is as yet no available method of computing its cost. In his speech Mr Khrushchev said: "Had we undertaken to develop the virgin lands in the usual way by the gradual resettlement of people in the new areas we should have required a tremendous amount of people, vast resources and much time." This implies (the logic is not quite clear) that the scheme can be done quickly and on the cheap by a few. But presumably the agricultural development of this remote area will necessitate large overheads in the future, when the settlers can no longer be housed in tents and shacks. Nor can existing communications remain adequate if huge harvests have to be transported from field to barn and barn to elevator.

Maize production has already begun on a large scale. But there are shortages of seed, of fertiliser and of silos. Further, maize needs much skilled attention. With planting on so much marginal and northern land (the area goes as far north as the latitude of Leningrad) much of it will have to be cut, if it grows at all, with the cobs unripe. Will Russian cattle thrive on this silage? The yield is likely to fall far short of the American 2.5 tons a hectare. Finally, a gain of maize is bound to mean some loss of sugar-beet.

It seems indeed that Khrushchev has gone much too far and too fast, as Stalin did several times before him. (The Soviet Union is littered with Stalin's disused irrigation follies.) Nevertheless if things do not go too badly a total grain yield of as much as 125 million tons, including maize, is possible by the end of the nineteen-fifties. This might enable an increase of 40 to 50 per cent in the Soviet Union's milk and meat. Past experience suggests that, while agricultural targets are never actually reached, some improvement usually occurs.

Many western agriculturalists believe that the new investment would have been better spent on the Ukraine and the Kouban where the land is first class, rainfall much higher and transport well organised. But the new lands campaign must surely be seen partly as a romantic venture in Soviet pioneering and partly as a feature of the general *Drang nach Osten* of a regime obsessed with military security. If totalitarians do not provide the goods, they must at least provide excitement. "Kookoorooza" and "Kazakhstan" may serve nicely as slogans for many years to come.

Blueprint for Apartheid—I

FROM OUR CORRESPONDENT IN SOUTH AFRICA

FIVE years ago the Nationalist government of South Africa appointed a commission to produce a blueprint for apartheid. Having won one election with race separation as its slogan, it felt that the time had come to prove that apartheid could be made to work—and win further elections. Roughly 13 per cent of the land surface of South Africa is reserved for the Native peoples, and is in fact today the home of 4,200,000 of them or slightly less than half the country's 8,500,000 Native people. Through European neglect and unconcern, combined with the system of land tenure and the general backwardness of their inhabitants, the Native areas, comprising about 260 separate units, are hopelessly underdeveloped. Overgrazed lands and

soil erosion, primitive methods of agriculture and a migratory labour system which deprives the areas of over 40 per cent of adult manpower each year, have between them produced a poverty-stricken population and a shrinking, purely agricultural economy which is less and less able to support its inhabitants. The average family income in 1951 was £52.55 a year, of which £29.85 came from farming and the balance from earnings outside the reserve. The Native areas have in fact become nothing more than labour reservoirs, rural slums. They had to be rehabilitated or abolished; and Nationalist theorists have always hoped that if they are built up and developed they might constitute a home for the Native people and so help to bring about total territorial separation.

Dr F. R. Tomlinson, professor of agricultural economics at Pretoria University, was therefore appointed chairman of a commission "for the socio-economic development of Bantu areas within the Union of South Africa." Although his report of more than a million words was completed in 1954, a summary of it has only now been released. It has had a curious reception. The ambitious and costly plan for developing the Native areas has been welcomed as magnificent in theory if sometimes dubious in practice. The underlying philosophy of apartheid is, of course, open to grave objection because of its obsession with race separation, and some of the reasoning in the report is based on little more than rationalisation and wishful thinking. Strangely enough, both the Nationalists and their opponents have been cautious in assessing the report's worth. While many Nationalists profess to find in it proof of the practicability of apartheid, others have obviously been embarrassed by its implications.

A Test of Sincerity

The total separationists are disappointed because their ideal seems as far off as ever. The partial separationists are uneasy because of the possible effects of large-scale development of the Native areas on the labour supply in the "White areas." A third group, which is believed to include the Minister of Native Affairs (whose lack of enthusiasm for parts of the report has long been an open secret), has been embarrassed by such recommendations as the siting of industry inside the Native areas rather than on their borders, the role of White capital and capitalists, and the tardiness with which the White areas are to be "drained" of Black families. It is expected that Dr Verwoerd will take from the report what will be politically helpful and ignore what will not be. It is generally conceded that the extent to which the Strydom government implements the development plan will be a test of its sincerity, and the choice is not going to be easy.

In the report the commissioners give their reasons for believing that the choice before South Africa "is between two ultimate poles," that of complete integration or of separate development of the two main racial groups. They do not believe that a middle way is practicable, and reject complete integration because it will lead to political control of South Africa by the Natives and also to miscegenation. They accept as "the dominant fact in the South African situation" that the Europeans will not be prepared "willingly to sacrifice their right of existence as a separate national and racial entity." Among the Natives, on the other hand, "there is a growing conviction that they are entitled to, and there is an increasing demand for, the

fruits of integration, including an ever-greater share in the control of the country." And so the commission advocates separate development in this spirit: "Either the challenge must be accepted, or the inevitable consequences of the integration of the Bantu and European population groups into a common society must be endured."

Professor Tomlinson has since explained that the commission did not ever refer to "complete separation: we talk of complete separate development." Presumably, therefore, there will always be Black workers in White areas—never pure White and pure Black areas. At the end of the century, for instance, the commission estimates that the Native population of the Union will be approximately 21 million, of whom 70 per cent will be in the Native areas—if the commission's recommendations are implemented—leaving about 7 million in the so-called White areas, or nearly twice as many as there are at the moment. The commission emphasises that if no development takes place in the Native areas, the population there at the end of the century will be about the same as it is today, that is, about 4,500,000, while that in the European areas would be about 17 million.

Apart from recommending the consolidation of the existing Native areas into seven blocks, in which Natives would some day have governmental responsibility on the lines of the present European provincial system, the commission recommends that the three High Commission territories be incorporated in the Union "as soon as possible." Only then, it says, will it be possible to implement the policy of separate development. The commissioners write:

The coming into being of seven Bantu areas, each surrounding a "heartland," will mean that the British South Africa of 1902, which covered 765,915 square miles, will be about evenly divided between Europeans and Bantu; 275,000 square miles of Bechuanaland, 6,705 square miles of Swaziland, 11,716 square miles of Basutoland, and approximately 65,000 square miles of the Union, will then be set aside for exclusive utilisation by Bantu. The total extent of the Bantu areas will then be 357,421 square miles, or approximately 47 per cent of the former British South Africa.

To administer this large area and its people will call for a drastic reorganisation and enlargement of the Department of Native Affairs. This will virtually mean the creation of a state within a state—a contingency which the commission appears to accept without concern.

(To be Concluded)

No Mandate for Merdeka

FROM OUR CORRESPONDENT IN SINGAPORE

SINGAPORE'S Chief Minister has arrived in London, supported by a motley delegation and armed with reasons why Singapore should be granted "Merdeka" or virtual independence. On a previous visit in December Mr Marshall was heard with sympathy but he has since displayed all the messianic fervour of one about to lead a forlorn hope against the colonialist barricades. Two theories have been advanced to account for this change in tone. By one account he has been warned by the Governor of the opposition he must expect. Such a warning, if

uttered, might have had the object of inducing him to form a more broadly-based coalition—which he has indeed tried and failed to do. By another account he feels impelled to create or imagine obstacles in order to claim credit for overcoming them. Neither theory may be baseless; nor is a third theory untenable—namely, that Singapore may suddenly become (like Suez) an issue for the Tory back-benchers.

What, however, does Mr Marshall seek? In a recent speech to the Singapore Legislative Assembly he was explicit enough. He demanded independence within the Commonwealth with full legislative autonomy, the removal of the official members from the Council and of the nominated members from the Assembly, and the abolition of the Governor's veto. To Britain he offered control of defence and foreign policy (but not of trade) and the use of Singapore as fortress and base. These last concessions are frankly linked with his recognition that the British armed forces employ a sixth of the local labour and spend M\$291 million each year in wages and local purchases. He also remarked (hopefully) that whereas "the British community are transients, British capital is not transient." Except for a difference with the Liberal-Socialists over the extent of British responsibility for internal security, Mr Marshall has the support of the Legislative Assembly. But Mr Lennox Boyd is being asked to give unrestrained power to a government which commands no majority on any issue other than that of independence. Mr Marshall's ministers are weak, his supporters divided, his opponents vocal and his health uncertain. To deny all he asks will be to procure his resignation. To concede all he asks will be to ensure his fall.

In considering the various issues involved a clear distinction must be drawn between the constitutional and the political. For the mere strength of Mr Marshall's case for a new constitution must weaken his case in every other respect. If the Rendel constitution is an absurdity, as it has been shown to be, what becomes of his own mandate to govern? He was elected under a constitution which includes, for example, the Governor's veto. Without such a safeguard many citizens might have voted differently. Because of that safeguard many may not have voted at all. Should it be decided to draw up a new constitution the present government should have no more than routine functions until new elections have been held.

Closed Dockyard?

The trend of the present negotiations must depend, however, to some extent, on the strategic and commercial importance of Singapore. It might well appear at the outset that Singapore has lost any value it ever had. Mr Marshall may then have to realise that "Merdeka" may mean a closed dockyard, empty barracks, grass-grown runways and silent workshops, with British capital proving perhaps more transient than he has chosen to assume. Just as "Merdeka" in the Federation means autonomy in everything but finance, so "Merdeka" in Singapore is taken to mean self-sufficiency in everything but wages.

For a man demanding so much so soon, Mr Marshall's position is weak, especially when he and his colleagues seek to decide the relationship between Singapore and Britain and between Singapore and the Federation. But neither is his record in office likely to impress either the Secretary of State or the parliamentary delegation which has been visiting the colony. His own views are enlight-

ened, as is shown, for example, by his plan for a government Department of Fine Art; but it is only in their dislike for colonialism that his followers are agreed. The result has been that he is more eloquent in demanding power than in explaining policy. He can point to little that has been planned and to practically nothing that has been achieved.

Whatever the trend of the forthcoming discussions, their ultimate result should be another general election in Singapore. When, however, the new election is held, voters must have two issues explained to them. First, "Merdeka" may mean talking themselves out of employment. They may think it worth while, but they should at least know what they are doing. Second, they must realise that their union with the Federation (if that is their aim) will be impossible unless they return a ministry in which the Federation government can have confidence. These are issues upon which the electorate has never voted; and they are the issues that matter. The prior responsibility resting upon the British is to decide who the electors are to be. Upon the local politicians, by contrast, rests the responsibility of making the issues clear. For the Secretary of State to discuss "Merdeka" with the present delegation—thirteen representatives of five different parties—may prove a major blunder. All these questions of internal security would be better deferred for later consideration by whatever government may then hold office. The best policy would be to scrap the Rendel constitution, lay down a new law of citizenship, re-define the functions of state and local government and fix the date for a new and early election.

The Spanish Strikes

FROM A CORRESPONDENT IN MADRID

IN any country where strikes are forbidden by law it is always a serious thing for a worker to down tools and join his comrades in collective dissent. He does not make the decision lightly, for if he strikes he becomes a rebel in the eyes of the State and chastisement can be severe. In Spain the striker faces formidable odds. The labour unions are no help because they are controlled by the government and by his act he has turned against them. There is no strike fund to sustain him while he is out. His pay has always been low and he probably has no savings. He risks the wrath of the State. He can be arrested; if he has "political antecedents" he will certainly be arrested and he may be held for trial. Later, when he goes back to his old job, he may find that he has forfeited his seniority rights and the benefits deriving from them, which means that he will have to resume work for less pay. Here a man must be very angry and very determined if he goes on strike. Last week some 35,000 to 40,000 Spaniards were evidently very angry and very determined. They struck.

The reasons for their walkout are predominantly economic. They want higher wages to meet the rising cost of living. On January 31st the government had announced a general wage increase of 20 per cent, to become effective on April 1st. But the increase is not as impressive as it seems at first because it applies only to the basic wage, and the basic wage in Spain generally amounts to only about half of a man's take-home pay. The rest is made up by a variety of bonuses and "family points" which are an

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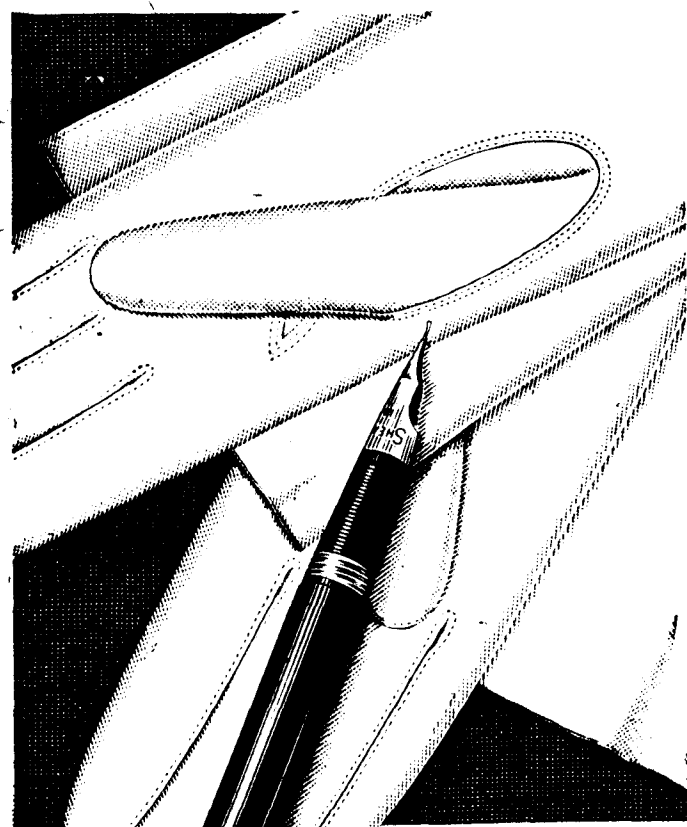
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important and extremely complicated feature of the Spanish wage system. The strikers' complaint is that the new rise does not compensate for the increased cost of living caused by the February frosts and the consequent scarcity of some basic foodstuffs. They want to know, too, why a resolution demanding a 30 per cent wage increase passed at the Workers' Congress last July seems to have been forgotten.

The strikers showed discipline and seemed anxious to avoid incidents which could be interpreted as attempts to create disorders. They seemed intent, above all, on keeping their action strictly non-political. Yet the fact that strikes happened in spite of being illegal gives a political importance to the labour unrest. Is it a sign of the times that the movement started in Navarre? It was this conservative province that gave Franco his best shock troops in the civil war, the Requetes with the red berets. Yet it was from Pamplona that the strike contagion spread last week to the industrial centres of Guipúzcoa and beyond. The regime had been confronted by strikes before, in 1951 and 1954, but this was the first time that places as far distant as San Sebastian and Barcelona had been affected simultaneously, although news of the walkouts was kept out of the press and off the air for several days.

The end of Spanish isolation is beginning to have an effect on the working class, just as it has stimulated university students and intellectuals to impatience with the regime's restrictiveness. Particularly in the north, where the tourists come in droves, Spaniards are provoked to comparisons between themselves and the visitors from abroad; not with the American tourists who come from another world, but with the Europeans, and particularly the French, people of comparable background with themselves but conspicuously better off. Perhaps there is something of this in the angry discontent of which the strikes are an indication.

The New Alliance at Düsseldorf

FROM A CORRESPONDENT IN DUSSELDORF

AT Düsseldorf the "young men" of the Free Democrats are the most controversial group in the new coalition with the Social Democrats and the Centre Party. The morality of their overthrow of Herr Arnold by switching their support from him to the Social Democrats is still being debated. Furthermore, the Düsseldorf Free Democrats have for some time been in the habit of taking people of a dubious political past under their wing. Thus Naumann's defence counsel, Herr Achenbach, who during the German occupation served in Abetz's Embassy in Paris, is a leading member of the Free Democrat parliamentary group in the Landtag at Düsseldorf. It is important, however, to examine carefully all charges of neo-Nazism and a Nazi past, for they are still freely bandied about by all political parties. Herr Middelhaue, for instance, who resigned from the leadership of the Free Democrats in North Rhine-Westphalia after abstaining in the vote against Herr Arnold, was for many years accused of favouring neo-Nazi tendencies. Now, however, that he has sacrificed his political career to his loyalty to Herr Arnold, the verdict is different; it is admitted on all sides that with great idealism he had attempted to bring the younger generation into the political pattern of the new German state.

The two leaders of the movement for secession from Herr Arnold's government, Herr Weyer and Herr Doering,

were both members of Herr Middelhaue's circle. Herr Weyer, not quite forty, is his successor as deputy prime minister. The son of an old Democrat in Hagen on the border of the Ruhr, he became the town's deputy mayor under the Social Democrat Herr Steinhoff, who is now once more his chief. Weyer is known as a man who takes his duties very seriously. His close collaborator, Herr Doering, who is now in the middle thirties, has become the leader of the Free Democrat group in the Landtag. While still lacking the experience needed to qualify him for ministerial office, Doering—who is largely self-taught—has already acquired considerable political knowledge and skill. The two men had only a relatively slight association with National Socialism during the Hitler regime. Unlike the older Free Democrat leaders, they have few ideological ties, and it is impossible to predict with certainty the road which they will eventually follow.

Herr Steinhoff, an old Social Democrat of just under sixty, who was in a concentration camp under the Nazis, believes that the democratic views of his allies can be trusted. What he says carries conviction, for he is patently not an ambitious politician. Though a skilled tactician, he is not a great man, and great deeds cannot be expected from his government. At present its motto is moderation, born of the necessity of compromising between the Social Democrat majority and its two junior coalition partners. Comparatively few changes have so far been made among the senior civil servants. The government has promised continuity in school policy, one of the few controversial questions within the competence of the Land governments, but the churches are showing anxiety just the same.

The importance of the experiment now being carried out in Düsseldorf lies in its effect on the general political situation in the Federal Republic. The moderate Herr Arnold was punished for what are considered to be Dr Adenauer's autocratic tendencies and not for his own misdeeds. By freeing his considerable abilities, his overthrow at Düsseldorf may have unexpected and unwanted consequences; he may, for instance, become active in the trade union movement, from the Christian wing of which he came. The Federation of Trade Unions (DGB) is alive to the threat of the formation of a separate Christian trade union movement. It also has its own views of the propriety of Social-Democrat coalitions with a party like the Free Democrats.

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which is closely linked with groups of industrial employers. These views the Social Democrats cannot afford to ignore. A constellation which may be tolerated in a Land government, which can decide few matters of major economic policy, would become a highly inflammable issue if repeated in Bonn. On the other hand, the Social Democrats in the Bundestag will not want to continue indefinitely eating the bitter bread of opposition, and they are likely to need allies if they want to oust the Christian Democrats from power in 1957.

Federal politics—which are not immune from changes in the international climate—have reached an almost unprecedented fluidity. Düsseldorf might represent the beginning of a new phase. The Free Democrat conference at Würzburg this weekend may throw light on the extent to which the party's heterogeneous elements outside North Rhine-Westphalia are prepared to follow the course set at Düsseldorf.

The Indian Point of View

FROM OUR CORRESPONDENT IN INDIA

FOR the first time since independence, Mr Nehru has been acting like a conventional foreign minister. He has talked in Parliament from prepared texts; he has weighed his words even on public platforms; he has taken for subject neither colonialism nor peace, but the interests of India.

His theme has been simple. Pakistan's alliances, the Baghdad Pact and Seato, encircle India; Pakistan's new American arms threaten India; Pakistan has only entered into the alliances and taken the arms from hostility to India, in order to be able to negotiate with India from strength. This makes a plebiscite in Kashmir impossible. Pakistan was always the aggressor there, so that no plebiscite was ever possible without a Pakistani troop withdrawal; but Pakistan's taking of arms, coupled with the steady squeezing out of the Hindus of East Bengal, has so changed the situation that now no plebiscite is possible at all. India and the Kashmiris cannot wait for ever for Pakistan to purge its aggression. The time has come for the Kashmiris to have some security about their future; the best answer is the one India suggested a year ago—partition on the cease-fire line.

Indians were worried about the possibility of a Pakistani coup in Kashmir when America first agreed to give military aid to Pakistan. All their conditions for a plebiscite have flowed from the determination that the modalities of any plebiscite must recognise that India is in Kashmir by right, Pakistan only by aggression. Mr Nehru is not trying to alarm or convert his people, only to clear their minds. His officials were worried about Pakistani arms before he was; the public was quite prepared to see provocation in border incidents which he dismissed as trigger-happiness.

The Indian public still does not hate the Pakistanis, but it is fed up with them. It has come to be generally assumed that no Pakistani promise can be trusted, that Pakistan will treat every concession as a sign of weakness, that Pakistan's every action is directed by hostility to India. Nobody believes that Pakistan is worried about Communism when its Prime Minister is going on a tour of China, and when

it was India's representative, Mr Khanna, and not Mr Mikoyan, whom the Karachi crowd booed on March 23rd. Above all, the suspicion that the thousands of Hindus who come every month from East Pakistan come because of deliberate Pakistani policy is hardening into a general conviction, as the refugees tell their stories of insults to women, requisitioning of houses and discrimination over jobs. So long as a quarter of a million Hindus come across the border every year, rare indeed will be the Indians who will believe in Pakistani good faith.

Mr Nehru is in fact having deliberately to hold his public back, to play the situation down and not up. He does not want to divert to arms the money he needs for the five year plan, though Delhi's staidest planners concede that defence must come first. He does not want to take cut-price Russian arms, for he feels that any country which is armed by another has mortgaged its independence. He does not want to quarrel with the West. He has been quick with praise over Malaya or Morocco, restrained about Cyprus and Algeria. He has acquitted Pakistan's western allies of any deliberate hostility to India, he has accepted Mr Dulles' reassurances as truthfully meant, he has agreed to go to Washington in July to talk to President Eisenhower.

If no more arms go to Pakistan, if the presumed danger to India recedes, there will doubtless still be much grumbling over pacts and their danger to peace; but the heat will be off, relations will be unaffected. But if Pakistan gets aircraft and tanks on a scale to tilt the balance of power against India, Mr Nehru will no longer try to hold his public back. The MP who called most loudly for Russian arms was a bitter anti-Communist.

Arguments against Pacts

The Indians are not afraid that Pakistan would beat them in a proper war, but that it might be tempted into a quick raid on Srinagar, in the hope that India would accept the *fait accompli*. After the recent western performance in the Middle East, Indians have no faith that Mr Dulles could get Pakistan out again, or indeed that he would do more than suggest a plebiscite. They never forget that a Pakistan with enough arms to stand up to the Russians would be a Pakistan stronger than they are. What makes Indians specially angry is their feeling that they are being sacrificed for no gain to the West or to freedom. They do not consider that, as against Russia and China, the Baghdad Pact and Seato add anything to the hydrogen bomb; they do consider that the two pacts have split the Middle East, made the position in Indo-China worse, and pushed Jordan, Cambodia, and now Ceylon away from the West; they contrast these failures with their own success in reducing their Communist party to the final ineffectiveness of supporting the government, and wonder what possible purpose these pacts can serve beyond providing Pakistan with allies on India's east and west.

India is waiting to see what the West will do; which in this context means America, and America alone. The crux is not the Commonwealth Prime Ministers' Conference, but Mr Nehru's meeting with President Eisenhower. Never have Indians been more agreeable than they are today to the Englishmen in their midst; but they are so agreeable partly because British policy no longer matters so much. Mr Selwyn Lloyd erased Great Britain from India's list of great powers when—as Indians see it—he responded so amiably to the whip over Kashmir.

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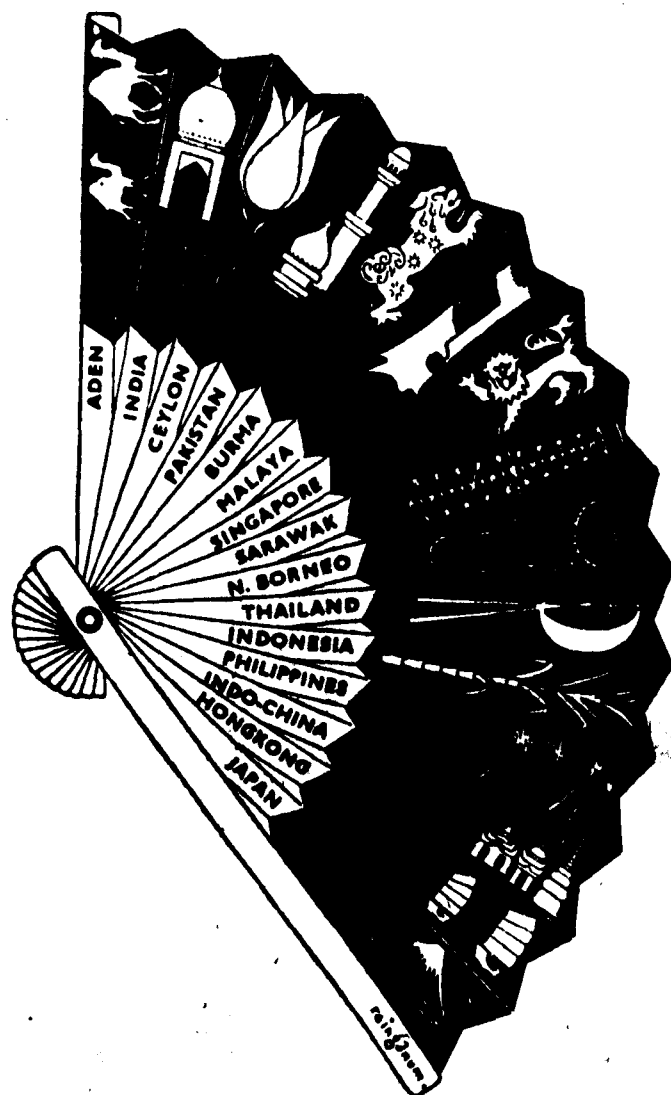
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THE BUSINESS WORLD

Analysis of the Budget

MR MACMILLAN'S first Budget, apart from his stubborn (and disappointing) refusal to make a start upon much-needed—and stimulating—major reforms of the tax system, has conformed in three respects to the popular forecasts. It comprises an unusual variety of changes and new devices, yet their combined effect upon the prospective balance of revenue and expenditure, both this year and next, will be very small. Secondly, this net effect will be disinflationary: instead of dissipating his large prospective surplus, the Chancellor has slightly reinforced it—to the extent of £15 million. Thirdly, he has exercised some ingenuity in a search for new or improved media for savings and has shown a readiness to cast Exchequer bread upon the waters in the faith that it will return as swollen savings to the national economy.

This drive for savings provides the key to the structure of the Budget. The Chancellor is implementing the principle of the Millard Tucker recommendations for tax relief on premiums to provide pensions for the higher-self-employed. There are to be new and higher-yielding savings certificates and defence bonds, and by the new year these are to be flanked by a novel premium bond. Interest up to £15 on savings deposits is to be free of income tax. And the stamp duty on conveyances of houses is to be regraded and reduced. Three of the ingredients of this "savings package," as the Chancellor called it, impose a burden on the Exchequer of £20 million this year and £50-£70 million next year. The only other material concession is a proposal to extend the age limit for family allowances (for children who remain at school or are apprenticed) and to increase the allowance for third and subsequent children by 2s. a week. This will cost £5 million this year, and, apparently, £12½ million in a full year.

To finance the £25 million thus to be given away and at the same time to fortify the surplus, the remainder of the bread-subsidy is to be withdrawn as from end-September (saving £12 million this year and £23½ million next year) and the tobacco duty is to be

raised by the equivalent of 2d. on a packet of 20 cigarettes (yielding £27 million this year and £28 million next year). In addition, and apparently chiefly as a means of satisfying the Chancellor's desire to spread his tax increases evenly over direct and indirect taxation, the tax on distributed profits is to be raised by 2½ per cent—the second increase in six months—and that on undistributed profits by ½ per cent. This will provide only £750,000 this year, but £30 million in the first full year.

By these means the prospective surplus for 1956-57 will be raised by £15 million; but Mr Macmillan is evidently assuming that his policy as a whole will exert a stronger additional disinflationary force than that modest increase might imply. He is looking to the savings drive to play "a decisive part," and he also hopes that a "continuous and comprehensive" review now to be undertaken of all Government expenditure will yield savings "amounting to not less than £100 million in this current year." Nothing has been said of the means by which these economies are to be brought about; but, had it not been for the prospect of them, the Chancellor would have felt it his "duty to propose very heavy increases in taxation." Thirdly, he is counting upon a continuance of the restraints exerted by monetary policy. The only change he proposes in this sphere is an unexpected and rather startling one. In future, the nationalised industries will no longer be left to finance their capital requirements first by bank advances and then by funding issues of Government guaranteed stock; instead they will get their finance direct from the Exchequer.

The Budget Accounting

The prospective above-line surplus that confronted the Chancellor at the outset actually proved to be larger than the big surplus realised in 1955-56, thanks to a bigger allowance for the effects of past inflation upon

the yield of revenue than had been generally expected. Expenditure on Supply services, as already known, was estimated at £228 million more than was actually spent last year; after adjustment for the £35 million of savings expected from the February cuts in bread and milk subsidies and the £22 million cost of the agricultural price awards, the effective increase became £215 million. For Consolidated Fund Services, the Chancellor provided an additional £34 million, almost entirely on account of the rising cost of the national debt, so that total above-line expenditure, at £4,745 million, was estimated at £249 million more than the actual expenditure of 1955-56. Above-line revenue, however, was expected to rise by £297 million to £5,190 million. Of this increase, a net £49 million reflected the effects, in their first full year, of the tax changes made in last year's budgets. The upshot, therefore, was a prospective above-line surplus of £445 million. This is expected to be raised to £460 million by the changes noted above, compared with £397 million actually realised last year.

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The below-line account was expected to improve even more strikingly, from an actual net deficit of £538 million to an estimated deficit of £453 million. The whole of this improvement was attributable to the

THE REVENUE PROSPECT
£'000

	Exchequer Receipts in 1955-56	Estimates for 1956-57 at 1955-56 tax rates	Estimates for 1956-57 at new tax rates
Ordinary Revenue:			
INLAND REVENUE			
Income tax	1,942,902	2,102,000	2,085,900
Sur-tax	138,600	144,000	144,000
Death Duties	175,700	170,000	170,000
Stamps	70,600	63,000	58,900
Profits Tax and Excess Profits Tax	192,500	216,000	216,750
Excess Profits Levy	18,450	4,000	4,000
Other Inland Revenue Duties	770	1,000	1,000
	2,539,522	2,700,000	2,680,150
CUSTOMS & EXCISE			
Customs	1,148,598	1,177,000	1,204,000
Excise	864,511	953,000	953,350
	2,013,109	2,130,000	2,157,350
MOTOR VEHICLE DUTIES	86,987	92,000	92,000
TOTAL RECEIPTS FROM TAXES	4,639,618	4,922,000	4,929,500
Post Office (Net Receipt)	—	10,000	10,000
Broadcast Receiving Licences	25,800	28,000	28,000
Receipts from Sundry Loans	29,858	30,000	30,000
Miscellaneous	197,867	200,000	200,000
Total Ord. Revenue	4,893,143	5,180,000	5,197,500

expected large reduction in borrowings of local authorities from the Public Works Loan Board; these, after allowing for repayments, are put at only £176 million in contrast with £297 million last year. A decline is also expected in advances to the Coal Board, but new expenditures will arise on account of the Potato Marketing Board and the Sugar Board, and no credit is taken for any further possible receipts from the steel realisation agency, which last year brought in £25 million. Even on this basis, it will be seen, the Exchequer account as a whole showed only a tiny prospective deficit before allowance for the changes made in the Budget. The £15 million strengthening that those changes will make in the above-line account will, however, be swallowed up by the big effect exerted below-line by the new procedure for financing the nationalised industries, for which a provision of no less than £350 million is made in the estimates. Hence the final result is a prospective "overall" deficit of £343 million, compared with a realised deficit of £141 million in 1955-56.

The Nationalised Industries

Whether the deterioration thus caused in the below-line account can be dismissed as merely technical, will depend upon the manner in which official policy in the gilt-edged market is adapted. The decision to divert the financing of the nationalised industries to the Exchequer is a heterodox move that precisely reverses the principles lately recommended by the Herbert Committee for the electricity industry and adopted in Mr Butler's policy of driving the local authorities into the capital market for finance in order to reduce the pressure upon the Exchequer for finance through the Public Works Loan Board. That policy was rightly applauded because it subjects the borrowers to the tests of the market, and because it relieves the monetary authorities of the embarrassment caused by an excessive creation of Treasury bills. The arguments that justify it might seem equally to condemn the opposite policy for the nationalised industries.

But, says the Chancellor, things are not what they seem. The eventual goal may be to enable the nationalised industries to borrow autonomously; but at present they cannot borrow without pledging the government's credit and in addition the government generally finds that it has itself to put up much of the finance whenever these bodies seek to fund their bank advances by market issues of stock. Hence the relief for the Exchequer, and the avoidance of finance by Treasury bills, is more apparent than real. It would therefore be far better, the Chancellor argues, to "face the reality," by providing Exchequer finance direct, for a period limited to two years and for total finance limited to £700 million, of which £350 million is expected to be required this year. The sum looks large by the standards of the needs of these borrowers in the past—the provision covers all the nationalised

THE ECONOMIST, APRIL 21, 1956

industries except coal, which has been thus financed throughout—but presumably that is because a substantial volume of bank advances has accumulated since the proceeds of last year's market issues were exhausted. Most of these advances will now gradually be repaid, and in future the nationalised industries will look to the banks only for their "normal requirements of short-term capital."

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In the first instance the finance will be secured automatically by issues of Treasury bills. There is therefore the risk that, since the authorities are no longer obliged to arrange for such issues, they might look mainly to their own convenience in refinancing maturities of government stock (such as the £824 million of National War Bonds that mature next August), and might feel that they have an excuse for allowing the floating debt to rise at least to the extent of their financing of the nationalised industries. If this were so, the problem of keeping a due tautness in bank liquidity would be greatly aggravated. The Chancellor affirms, however, that the policy will not be operated in any such loose fashion. "Naturally," he says, "my purpose will be that this sum for the nationalised industries, with any other borrowing by the government, should be successfully absorbed by the public during the year." If, and so long as, gilt-edged policy is firmly and realistically directed towards that end, this new and curious expedient can have real technical advantages. These will flow from the fact that the timing of funding issues will no longer be related, as it is to some extent now, to the state of the accounts of the nationalised industries at the banks; and from the fact that the Treasury alone will decide for the character of the particular securities issued for the purpose. It remains to be seen whether practice will match the intent. It will certainly fall short of it if funding policy, conceived as a whole, is no more vigorous than in the recent past. At any rate the right resolve has been clearly stated; and one clear earnest of good intentions is to be found in the new savings securities—for sales of these will provide a funding at least as effective as any that can be done by market issues and sales by the government broker.

1955-56 OUTTURN AND 1956-57 ESTIMATES
(£ million)

ABOVE THE LINE					
Revenue	1955-56 Out- turn	1956-57 Est.	Expenditure	1955-56 Out- turn	1956-57 Est.
Inland Revenue	2,539	2,680	Interest on Debt	638	670
Customs and Excise	2,013	2,158	Sinking Funds	37	37
Motor Duties	87	92	Northern Ireland	59	61
			Miscellaneous	10	10
TOTAL TAX REVENUE	4,639	4,930	TOTAL CONSOLIDATED FUND SERVICES	744	778
Post Office (Net Receipt)	—	10	Supply: Defence	1,405	1,499
Broadcast Licences	26	28	Civil	2,286	2,428
Sundry Loans	30	30	Tax Collection	61	53
Miscellaneous	198	200	TOTAL SUPPLY	3,752	3,980
			Reduction in supply expenditure	—	—20*
Total Revenue	4,893	5,198	Total Expenditure	4,496	4,738
	4,893	5,198	Surplus	397	460
				4,893	5,198

BELOW THE LINE					
Receipts			Payments		
Interest outside Budget	119	150	Interest outside Budget	119	150
Export Guarantees—			Export Guarantees	2	7
Repayments	2	2	Postwar Credit	17	18
Housing receipts from Votes	7	7	Excess Profits Tax Refunds	3	2
Local Authorities—			War Damage	27	24
Repayments	34	44	Scottish Special Housing	5	7
Post Office capital repayments			Armed Forces—Housing	1	8
from Votes	1	3	Loans to Local Authorities	331	220
Raw Cotton Commission—			Loans to Northern Ireland Ex- chequer	5	4
Net repayments	15	1	Loans for New Towns Develop- ment	32	35
National Coal Board—			Post Office capital expenditure	70	78
Repayments	8	7	Loans to Independent Television Authority	1	1
Iron and Steel	25	—	Town and Country Planning Acts—		
New Towns—Repayments	—	1	Compensation payments	49	30
Town and Country Planning Acts—Repayments	6	7	Overseas Resources—		
Potato Marketing Board—			Colonial Development	9	9
Repayments	—	1	Loans to Potato Marketing Board	—	5
Anglo-Turkish Armaments Credit—Repayments	1	1	Loans to Sugar Board	—	10
Other repayments	1	1	National Coal Board— Capital expenditure, &c.	86	70
			Loans to other Nationalised Industries	—	350
Total Receipts	219	225	Total Payments	767	1,028
Net Sum borrowed or met from Surplus	538	803		767	1,028
	757	1,028	Total Payments	5,253	5,788
Total Receipts	5,112	5,423			

* Net effect of subsidy cuts, family allowance increases and firm price review.

Boost for Small Savings

The Chancellor has produced a wide variety of new plans for saving and has not hesitated to offer attractive rates of interest. Big business will be done in the new savings certificates, the new defence bonds, the £1 premium bonds and perhaps even in building up the first £600 in the Post Office and ordinary department of the Trustee Savings Banks to earn £15 a year of tax-free interest. The attractive rates of interest now offered to the "small saver" may or may not induce new saving. They will certainly draw large sums from liquid balances and other investments. Certainly also they will attract the surtax payer within the limits of the permitted holdings.

The new savings certificate which will be on sale from August 1st and will grow from 15s. to £1 in 7 years gives a tax free yield of £4 3s. 11d. per cent compound compared with £3 os. 11d. per cent compound on the present 9th issue. There seems an advantage in switching unless the investor wants to preserve his right to buy 600 of the new units in addition to his existing holdings. No doubt for that reason the Treasury quickly followed up the Budget statement by the announcement of generous terms on which certificates of two of the older series may be continued. The new defence bonds to go on sale on May 1st bearing interest at 4½ per cent (compared with 4 per cent on the present series) and with a tax free bonus at the end of 10 years of £5 per cent (compared with the present £3 per cent) should appeal to middle-class investors. The maximum holding is £1,000 in addition to any holdings of bonds in the earlier series.

	Interest Net per cent	Gross (at 8s. 6d. tax) per cent
Savings Certs, 9th series	£ s. d. 3 0 11*	£ s. d. 5 5 11*
Savings Certs, 10th series	4 3 11*	7 5 11*
Defence Bonds (4%)	...	4 9 10
Defence Bonds (4½%)	...	5 5 0
Savings Bonds (up to £15)	2 10 0	4 6 11

* Compound interest.

No doubt is felt in the Post Office that Mr Macmillan's new introduction, the non-interest bearing premium bond, will attract big support. The issue will carry a moderately high service charge, for the 4 per cent to be used for prizes instead of as interest may be regarded as equivalent to only a little under 7 per cent gross. The Post Office will administer the issue and will keep the register and do the drawings. The operation involves the equivalent of the creation of a new department in the Post Office, which explains why the bonds cannot be put on sale at once and why they will be a registered stock and not sold across the counter.

Pensions for the Self-Employed

The Chancellor's proposals about pensions for the self-employed, controlling directors and employees not in pensionable employment represent his one big step along the road of fiscal reform. They are comprehensive, for he has ignored the limitation to the professional self-employed which the minority of the Tucker Committee sought to impose; and since they are directly geared to saving they enable the Chancellor to effect a marriage between fiscal justice and economic expediency—rare but happy bedfellows. The bare bones of the proposals so far revealed leave a great deal of flesh to be added by the Finance Bill. The premiums paid to secure retirement annuities will be relieved from income tax and surtax within the limits of £500, or

10 per cent of earned income in any one year. The investment income of life assurance companies (and, one would hope, of self-administered funds) will be exempted from tax to the extent that it relates to the provision of retirement annuities. The benefits may not include lump sums. But although Mr Macmillan spoke of giving effect to the proposals of the second Millard Tucker committee "in a simplified and modified way," the tentative cost of his proposals, £30 million to £50 million for the relief of the premiums paid, is sufficiently close to the Committee's estimates to give promise that its proposals will not be greatly whittled down.

The Tucker Committee recognised that the self-employed, lacking the discipline of an employer, would need to be restrained in the amount they could set aside. Like the Chancellor, they suggested 10 per cent of income in the straightforward case of the provision of a deferred annuity alone; and as an alternative they offered 12 per cent where there is a combination of deferred annuity with provisions for dependants and for death or incapacity before retiring age. These basic limits are not over-generous: the amounts set aside under an industrialist's top hat scheme would be far higher, while the cost of providing a civil servant's pension is about 15 per cent of his remuneration. The Tucker Committee proposed, moreover, that the allowable provision should be increased for persons who had already reached a more advanced age, up to 15 per cent in the first case of a straight annuity, and to 18 per cent in the second case covering other benefits, in order to recognise and provide for their past service. The Chancellor made no mention of this; if anything, he dashed hopes by saying in another context that the relief he proposed on purchased life annuities should be of considerable benefit to those who are too old to secure any great advantage from the deferred annuity scheme. That would be reasonable only if the individuals concerned had the opportunity of saving the purchase price.

The basic principles adopted by the Committee were that payments into a scheme should be exempted from tax and that payments therefrom should be taxable. The lump sum of up to one quarter which can be withdrawn from most existing schemes offends against the latter principle but, since it had been sanctified by custom, the Committee regretfully accepted it. In denying it to the self-employed the Chancellor is at one and the same time establishing a sound principle and maintaining a distinction of privilege between different taxpayers that cannot be justified. Here again the self-employed will not be allowed quite to keep up with the Joneses. In one other detail the Chancellor has indicated that his proposals fall short of the Committee's—the income limit of £5,000 in the place of a higher figure (with lower percentage contributions). In the majority of cases an income limit of £5,000 will be reasonable, but it may impose some hardship on those who are late starters and whose modest earnings in early years are counterbalanced by large prizes later.

The Profits Tax Mirage

Within six months two Tory Chancellors of the Exchequer have put up profits tax. If there was scepticism about the merits of Mr Butler's decision to raise the distributed profit tax, anger is justified by Mr Macmillan's proposals. At least Mr Butler left the undistributed profits tax alone. Mr Macmillan has raised it from 2½ to 3 per cent and the tax on distributed profits from 27½ to 30 per cent. The net effect of these increases will indeed be small; they bring in an additional £30 million in a full year and they will cut company earnings available for dividends only slightly. But however small, these changes make a bad two-tier tax worse—how bad was emphasised in the report of the Royal Commission on Taxation. Mr Macmillan, like his predecessor, has ignored the force of the Commission's arguments. Indeed, in a budget designed to stimulate savings, he has forced companies to dis-save. If a company decides to pay the same dividend out of the same earnings, the increase in the undistributed profits tax will automatically reduce the amount that can be ploughed back in profits.

What is the arithmetic of these changes? For each £100 of profits the following calculations on the new rates emerge:

Income Tax at 8s. 6d. in the £ takes	42.5
Undistributed profits tax at 3% takes	3.0
Leaving to be divided between the net dividend and distributed profits tax	54.5
If x is the net dividend, then at the maximum:	
$x + \left(\frac{40}{23}x + \frac{27}{100}\right) = 54.5$	
Therefore x, the full dividend payable after tax, takes	37.08
And distributed profits tax takes	17.42

On a maximum distribution of earnings these comparisons emerge:

Old Rate	Autumn Budget Rate	New Rate
Income tax at 8s. 6d. in £ ..	42.5	42.5
Undistributed profits tax at 2½% ..	2.5	3.0
Net dividend ..	40.8	37.08
Distributed profits tax at 20% of gross dividend ..	14.2	17.42
	100.00	100.00

Two facts arise from these comparisons. First, because of the increase in the undistributed profits tax the total amount available for distribution is reduced. Secondly, because of the increase in the distributed profits tax, the amount on a maximum distribution of profits that can be paid over in dividends from available earnings is reduced. On a maximum distribution, a year ago is reduced. On the Inland Revenue took 59.2 per cent of profits; on the Autumn Budget rates it would have taken 61.66 per cent; and now it will take 62.92 per cent.

The total effect of the changes in the rates is thus shown to be arithmetically small, so small that for a rough calculation of earnings—and all such calculations are necessarily rough—the investor can simply deduct one-third of the unadjusted rate of retained earnings to arrive at the true earnings rate.

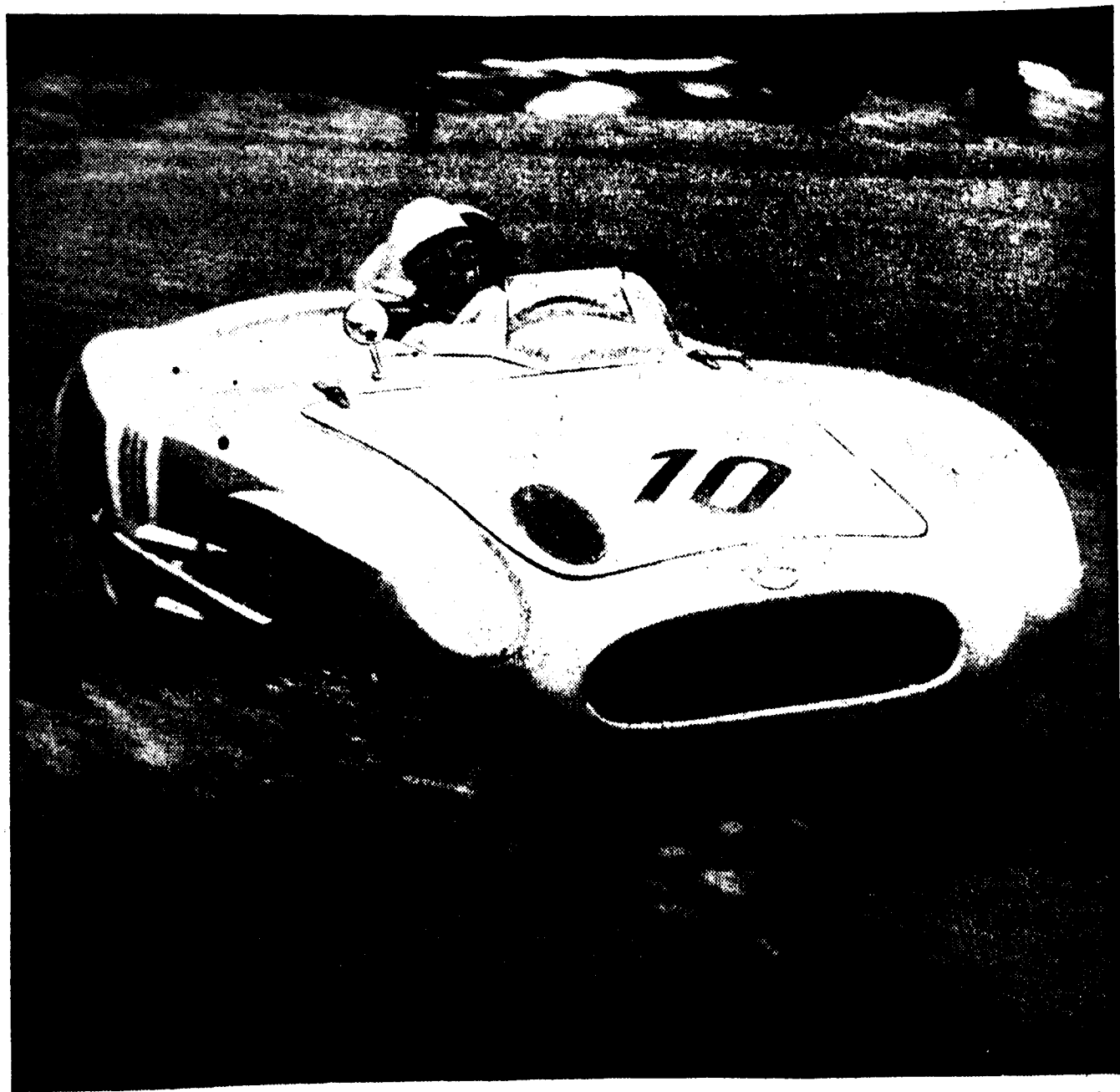
Will Cigarettes Stand the 2d.?

The Chancellor appears to have no fear that his increase in the tobacco duty—amounting to twopence on 20 cigarettes and 2½d. to 3d. on an ounce of pipe tobacco—will make even a slight dent in the sales curve of smoking. The increase of 3s. a lb—to 61s. 2d. a lb on foreign tobacco, and 59s. 7½d. a lb for tobacco from the Commonwealth that obtains the preferential rate—is calculated to bring in £27 million in the current year and £28 million in a full year. The Chancellor expects, however, that total receipts from tobacco duties will rise from £668,175,000 in the current year to £707 million in 1956-57, an increase of nearly £39 million. He is counting, therefore, upon a further increase in expenditure on smoking. Spending on tobacco rose from £855 million in 1954 to £880 million last year, representing probably some 247 million lb of manufactured tobacco; the amount smoked in Britain has been rising fairly steadily since 1950-51, and the last two increases in prices—in 1951 and in November last year—came from the makers, not as a result of increases in duty. After Mr Dalton put cigarette prices up by 1s. for 20 in 1947, tobacco sales did fall significantly—consumption last year, indeed, was still some 6 per cent lower than in 1946—but that increase coincided with sharp restrictions on purchases of American leaf.

This is the only significant change in Customs and Excise duties. The Chancellor has decided to plug, or cork, one loophole in British wine duties by extending these to cover the "fortified" ciders. He is also proposing to extend purchase tax—in a way he did not disclose and which the Customs and Excise are not prepared to reveal before publication of the Finance Bill—to vehicles bought as vans, on which only a 30 per cent chassis tax is charged, and converted into estate cars. A number of the smaller "estate car" versions of popular models have pressed steel bodies identical with the same makers' smaller vans except for possessing rear side windows at the sides—which are a simple job for a resourceful buyer to put in himself. Rear side windows are, in fact, the badge of respectability that the Customs and Excise department uses to define a passenger car liable to purchase tax. The happy game of "Hunt the shooting brake" is one in which more than one Chancellor has joined since the war. Mr Macmillan, sniffing after "Do it yourself," is the first to pursue it into the back garden. The results of his zeal, on his own estimate, "are unlikely to be substantial."

Some Miscellaneous Changes

When Mr Butler withdrew the investment allowance for capital equipment in October, he exempted as particularly deserving of encouragement expenditure on equipment for scientific research and for the purchase of ships. The change will be given effect in the Finance Bill: Mr Macmillan has added to these favoured forms of investment a third—capital



Stirling Moss takes first place, in the fastest R.A.C. T.T. of all time. Fangio and von Tripps took second and third. Each drove a Mercedes 300SLR—using BP Super.

BP SETS THE PACE

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expenditure on approved fuel-saving equipment which is installed by way of replacement or modification in existing industrial premises. This is in line with the existing Government policy of promoting the installation of more efficient fuel-burning equipment by offering industrialists loans, interest-free for the first two years, afterwards at commercial interest rates, to pay for these types of equipment. It is likely to obviate any slackening that might otherwise have occurred, for example, in industry's switch to oil fuel.

A Finance Bill which has to cover even a streamlined scheme for retirement benefits must be a lengthy document, and on that ground, if on no other, the Chancellor can be forgiven for touching only two further measures of taxation reform. By granting capital allowances for cutting and tunnelling he completes the spadework done for diggers by earlier provisions regarding mines, cemeteries and the Mersey Tunnel. His concession will be particularly valuable

to dry docks whose existing facilities are strained by the size of modern tankers. The comments about the residence rules and the basis of taxation of foreign employment suggest that the Royal Commission's recommendations will be followed: the availability of a place of abode here has been responsible for the arbitrary "one-day" rule (under which one day spent in this country by a man with a house here makes him liable to tax) and its abolition, and the replacement of the existing unwritten code by specific legislation will be welcomed. The position of foreign employment is not so clear: the Chancellor's words and the Financial Statement suggest that he will follow the Royal Commission and look to the place where the work is done, rather than to the place where the remuneration is paid. By doing so, he would upset the *Bennet v. Marshall* and *Bray v. Colenbrander* decisions; but the Budget resolutions contain no explicit reference to the point, which must await the Finance Bill.

Business Notes

Macmillan's Tonic for Markets

A BROADLY based rise in markets followed the Budget. Whether that was the right reaction to this particular Budget, and whether any budget designed for the problems of today ought to be a tonic for markets are both open to argument. The fact was that gilt-edged stocks, industrials, gold shares, and sterling all moved upwards in expanding business. On the commodity front alone there were a few signs of weakening. On Wednesday the *Financial Times* index of fixed interest securities advanced from 96.49 to 96.74; there were fairly big dealings in gilt-edged though the policy of the big investors seemed more often to be the tipped towards switches than to outright purchases. The industrial ordinary index jumped from 188.0 to 191.7. Buying expanded partly because it was the first day of a new account; the number of markings at 9,867 compare with 7,849 on the first day of the previous account but in a strong market over 11,000 bargains were marked on Thursday.

It would be false to suggest that the rise marked unqualified approval of the Budget by investors, just as false as to suggest that the Budget had been diagnosed as "inflation as before." The Budget contains features of which the investing public certainly does not approve—in particular the increased profits tax—and features that are generally approved. But much of the market's first reaction was semi-automatic. Business that had been held up just to have a look at the Budget first was released. When it was found that there were few unpleasant surprises, a fair volume of delayed investment plans were carried through. It there-

fore does not follow that the market's final verdict must inevitably endorse its first reactions. In practice the Bank of England and the Treasury have gained a little more control in the gilt-edged market through the rearrangement of the method of financing the nationalised industries. But the immediate outlook in the industrial share market seems largely unchanged.

In one direction, however, the behaviour of the market was a direct result of the Chancellor's decision. Insurance shares are normally one of the most staid sections of the

	Rise Tues. & Wed.	Price April 18	Yield
Commercial Union 5s.....	2/9	87/6	4 s. d. 3 16 2
Equity & Law Life £1 6s. pd..	1/	6 1/2	3 6 10
Legal & General £1.....	1 1/2	26	1 18 6
Pearl £1.....	1 1/2	24	4 17 10
Prudential 'A' £1.....	3 1/2	46xd	4 14 6
Royal Insurance 5s.....	1/10 1/2	87/6	3 16 2

Stock Exchange. But on Wednesday jobbers there were besieged by eager brokers. The Millard Tucker provisions in the Budget brought in a mass of investors who seldom look at an insurance share and it brought in some "house speculation," too. The market that had been good for some days thanks partly to budget hopes and partly to the good results that some life offices have been showing, went roaring ahead. Buyers who know little of insurance shares bought not only life insurance, but the composite office shares in some of which the shareholders' portion comes mainly from the non-life side. Naturally, the rise soon brought in sellers

from among the more knowledgeable investors, and the house speculation dried up as brokers and jobbers realised that Millard Tucker in the Macmillan edition (with the cash option expunged) would not be quite the gift they had hoped for. On balance, however, life office shares and a few others retained a substantial rise on the day.

Bears of Sterling on the Run

STERLING has been one of the main beneficiaries of the Budget. Foreign opinion may not have been impressed by the negative character of the tax changes, but it was impressed by the size of the prospective surplus and by the promise of economies in Government expenditure (often heard but disappointed in the past but this time reinforced by a figure and a date). There was nothing in this to encourage those who were short of sterling to continue to run expensive open positions in the expectation of early disasters to sterling. So by Wednesday some of the bears of sterling were on the run. There was good commercial demand from New York and from the Continent. Moreover, it has now become evident that some of the outright forward sales of sterling recently made by foreign enterprises with subsidiaries or other insurable interests in the sterling area are not being extended as they mature. The official rate of sterling against the dollar has just risen to over \$2.81 for the first time since August, 1954. Another milestone passed this week is that the sterling price of gold has again dipped below 249s. per fine ounce. In Wednesday's active market, the Exchange Equalisation Account must have acquired appreciable amounts of dollars and other currencies.

The rate for transferable sterling has strengthened to \$2.78½. There is a persistent demand for it, but supplies are being concurrently increased as a result of arbitrage operations based on the free or convertible DM and guilder. At the prevailing level of quotations it has been cheaper to obtain sterling by selling dollars against DMs or guilders and then buying sterling with these currencies than by selling dollars direct against transferable sterling in Zurich or elsewhere. Substantial amounts of transferable sterling have thus been created. With every week that passes evidence accumulates that the various types of non-resident sterling—official, transferable and security—are becoming more nearly a single currency.

Shell of Plenty

CORNUCOPIAN is the word for the preliminary statement of the Royal Dutch/Shell group for 1955. It requires an effort of imagination to grasp the magnitude of its figures; but no effort is needed to gather the generous implications of the dividend. The ordinary dividend of Royal Dutch has been raised from 16 to 20 per cent. The tax free ordinary dividend of "Shell" Transport and Trading is 15 per cent, plus "an extra dividend" of 3½ per cent, making 18½ per cent, tax free, for the year, compared with 15 per cent, tax free, for 1954. Ordinary shareholders

in "Shell" will also receive a one for four free scrip issue of £1 ordinary shares; on the increased capital, and "subject to the conditions then ruling, it is hoped" that the tax free dividend rate of 15 per cent will be maintained. In view of the "extra dividend," it might not be too optimistic to think of 15 per cent as the minimum rate. Such optimism was certainly abroad in Throgmorton Street when the £1 stock units of "Shell" gained ¼ to 7½ and £1 100 stock units of Royal Dutch 3½ to 7½.

Behind the dividends lie most impressive trading results. In 1955 the net income after tax of the Royal Dutch/Shell group rose by 19 per cent, from £134½ million to £160 million, in line with an increase in production, refining and sales. The group's sales of oil all over the world rose by 10 per cent and the oil was sold at a higher average price. Hence for the first time in the history of Royal Dutch/Shell "sales proceeds and other income" exceeded £2,000 million, compared with £1,851 million in 1954. From the net income of £160 million dividends have been declared in the 60/40 ratio to the two parent companies, providing Royal Dutch with £33.4 million and "Shell" with £26.8 million.

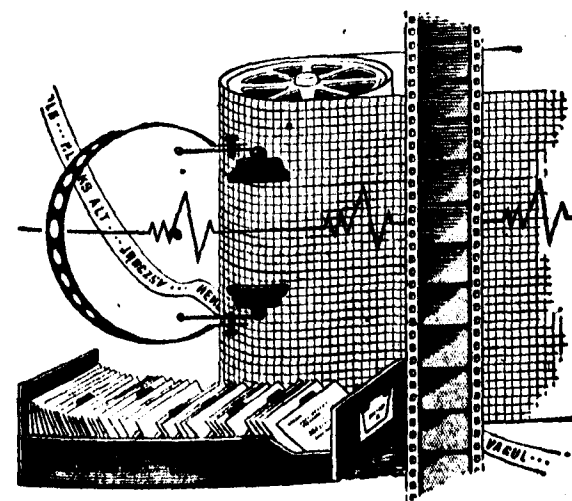
SALES AND EARNINGS
(£ million)

	Sales		Net Income		Net Income/Sales	
	1954	1955	1954	1955	1954	1955
Jan.-Mar.	430	474	33.5	34.1	7.8	7.2
April-June ...	456	509	35.8	36.6	7.9	7.2
July-Sept. ...	471	557	30.1	42.7	6.4	8.0
Oct.-Dec.	494	Over 480	35.1	46.6	7.1	9.7
Total	1,851	Over 2,000	134.5	160.0	7.3	8.0

The Royal Dutch/Shell group had to pay out £444 million (£38 million more than in 1954) in sales taxes and excise duties and £116 million (£10 million more than in 1954) in income taxes. The group also spent £283 million on capital account, against £226 million in 1954, bringing the total spent over the last five years to well over £1,000 million. Nearly all these funds have come from depreciation allowances and profit retentions. It is from such expenditures that future earnings must spring for the group has outgrown the capacity of the market to feed its capital needs. A quarterly analysis of the group's sales and net income, shown in the accompanying table, reveals that profit margins were rising over the year. Thus whether a short or a long view is taken of "Shell" £1 units, the prospective yield of about 4.2 per cent, calculated on the projected dividend and free scrip issue, seems justified.

More Steel for 1956

BY raising its output to about 21,300,000 ingot tons, pegging exports and its own stocks, and importing about as much crude and semi-finished steel as it did last year, the steel industry hopes to offer consumers in Britain about 11 per cent more steel in 1956 than it did in 1955. If they want any more, they can import it themselves.



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Most people, even if they are not closely connected with industry, know what a recording instrument looks like. Like a Seismograph it goes on giving a record line of information about conditions which are generally quite normal. The geologist usually only wants to record the frantic jump in this record line when an earthquake occurs; similarly the man in industry usually only wants to know when the recorded condition is abnormal. For some time Sunvic Controls Ltd. have been developing new means of monitoring this information so that it provides a more easily used record—not of the normal conditions about which nobody wants to know, but about the abnormal on which action has to be taken. One method is to record this information digitally—or in more simple terms to print it out as with a teleprinter. Alternatively the information can be placed on punch cards so that it can be analysed mechanically.

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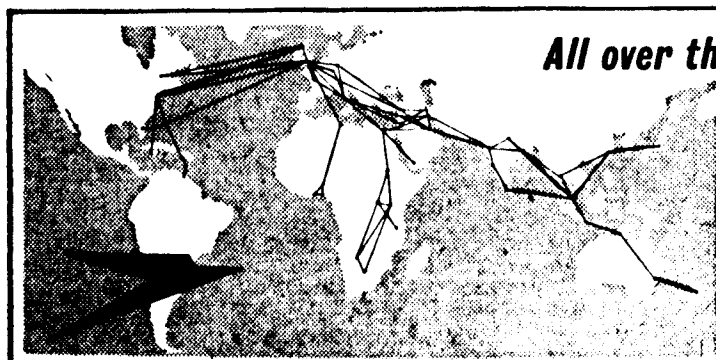
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That, roughly, is the prospect for steel supplies this year, as analysed by the Iron and Steel Board last week. The industry, at this rate, would be able to supply the equivalent of about 18,850,000 ingot tons of steel—which means about 13½ million tons of finished steel products. Last year, the ingot figure was about 17 million tons for home deliveries, but consumers supplemented this with imports of steel on their own account equivalent to another 1.2 million tons; total purchases of finished steel by British consumers, therefore, may have totalled a little under 13½ million tons. Nobody can guess how much the engineering industries in Britain are likely to import on their own account this year. Some of the most expensive imports, sheet and tinplate, are certainly being reduced, as a result of the cuts in output of cars and home equipment.

There ought, indeed, to be room for a substantial reduction in these expensive imports (since last year consumers who buy foreign steel have had to get it themselves at foreign prices). For their stocks, like those of the steel industry itself, were built up during last year's steel shortage, and some sections of industry ought to be able to run these down somewhat. An interesting survey published by the board shows that at the end of 1955 it was the smallest consumers of steel who had built up their stocks to the greatest degree—no doubt fearing that as the shortage became more acute they would be squeezed out of the steel producers' lists by the bigger buyers. In fact, consumers taking up to 500 tons during the half-year then held stocks ranging from 18 to 22 weeks' consumption; those taking between 500 and 1,500 tons in six months held 16 weeks' supplies; and the consumers taking more than 1,500 tons of steel in six months held only about 10-12 weeks' supplies. These larger consumers, who use about 81 per cent of the steel covered by the board's census, held only about 74 per cent of the stocks. Whether their management of stocks is likely to be more economical is a matter of opinion; but their demand is perhaps likely to react in a rather less volatile way to first the rumours and then the fact of shortage than the small buyer's.

P & O Revealed

"THE balance sheet and profit and loss account submitted with this report have been prepared without recourse to the Companies (Shipping Companies Exemption) Order, 1948." This is the most significant sentence in the full report of P & O for the year to September 30th. Hidden reserves are no longer hidden. In the old style balance sheet of September 30, 1954, the net value of ships in service or under construction was put at £96 million. In the new style balance sheet for the same date, the gross value of the fleet is put at £176 million and its net value at £117 million while payments on account of ships under construction and commitments to build new ships are shown separately. A year later the gross value of the fleet had gone up to £183½ million and its net value, based on depreciation at 5 per cent per annum, was £116 million. These are original costs. Replacement values would presumably be still higher.

Corresponding and complicated adjustments have been made to reserves. According to the old style, on September 30, 1954, capital reserves totalled £63.8 million and revenue

reserves to £22.7 million. In the new style on September 30, 1955, capital reserves came to £55 million and revenue reserves to £36.7 million. Over the year the group ploughed back from profits into reserves about £2.4 million and £13.8 million was capitalised from reserves to make the 100 per cent free issue. Reserves of about £16½ million, previously hidden, have thus been revealed.

ASSETS AND LIABILITIES (£ million)

	On Sept. 30, 1954	On Sept. 30, 1955
Fixed Assets, at cost:		
Ships	176.2	183.6
Construction payments	6.8	7.9
Other	18.8	20.0
Total	201.8	211.5
Net fixed assets	135.7	137.1
Net current assets	28.7	39.1
Quoted investments	23.3	34.8
Cash, etc.	14.2	13.8
Debtenture capital	4.2	7.9
Minority interests	20.9	21.5
Future tax reserves	21.9	24.5
Capital reserves	72.2	55.0
Revenue reserves	28.5	36.7
Deferred capital	13.8	27.6
Capital Commitments:		
Ships under construction	7.4	11.6
Ships on order	10.7	9.9

There is a tremendous weight of assets behind the P & O deferred stock, but the reckoning on earnings is less spectacular. By declaring a dividend of 8 per cent, the directors in effect maintained the payment. They can say that about one-third of net earnings is distributed and that, in view of the group's capital commitments, this is a reasonable proportion. Their critics, not yet completely silenced, reply that if the parent company's net profit of £1.9 million is related to the net book value of assets of £144 million, the return on capital employed is only about 1.3 per cent and would be even lower if replacement values were revealed. The critics will not get their way. The company will not stop trusting in shipping. If it did, it would soon be saddled with an obsolete fleet earning nothing at all. For an enterprise of the size of P & O there is no turning back.

Another point on which the critics might batten is the further reinforcement of liquid resources. This reflects in part the ploughing back of money in depreciation and in reserves, and in part the first instalment of £2.8 million from the £10 million of 5 per cent debenture stock issued, fortunately for the company, in September, before the

"Motor Business"

The March issue of this quarterly research bulletin for the motor and allied industries includes:

- Stock and Sales Expectations: A New Indicator for the Domestic Market.
 - Return to Seasonal Trends in Production.
 - Crystal Gazing in the Motor Industry.
 - The Swedish Market for Vehicles and Tractors.
- The Bulletin is fully illustrated by charts, amongst which are:
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A New Measure for Hire Purchase

SUCCESSIVE Chancellors and Presidents of the Board of Trade have been applying controls to hire purchase throughout the postwar decade except for a short break late in 1954 and early in 1955. This week they learn a little of the size and shape of the growth they have been trimming. The Board of Trade has launched a group of monthly indices of the money value of hire purchase transactions starting from last October.

The Board of Trade's inquiry based on a voluntary sample (about 1,600 retailers and 262 finance houses) comprises two separate series (both with December, 1955, as 100). The retailers' index covers mainly furniture and furnishings, hardware, radio and electrical goods, but is classified by type of shop, i.e. radio, furniture, department store, gas or electricity undertaking. The other index, derived from the finance houses, covers industrial and commercial equipment, motor vehicles, as well as a few household durables. In that section are included also the manufacturers who finance the hire purchase of their own products. To minimise duplication hire purchase agreements between retailer and customer which are subsequently "block discounted" with a finance house are counted as retail.

The Board of Trade estimates that the nation's hire purchase debt at the end of last December was "in excess of £450 million"—just how much in excess it does not care to guess—but the debt to retailers was thought to have been of the order of £250 million to £300 million while the debt to the 262 finance houses taking part in the inquiry was £169 million. It is not wildly imaginative to suppose that within the wide margin of error that is inherent in all these calculations, the total outstanding

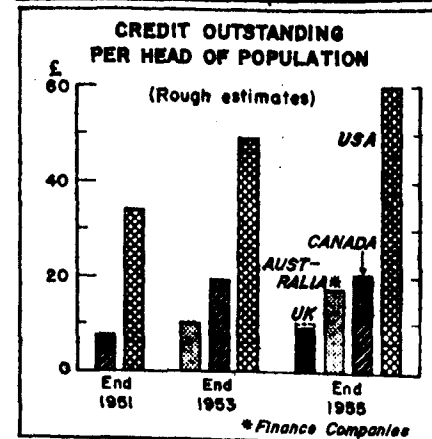
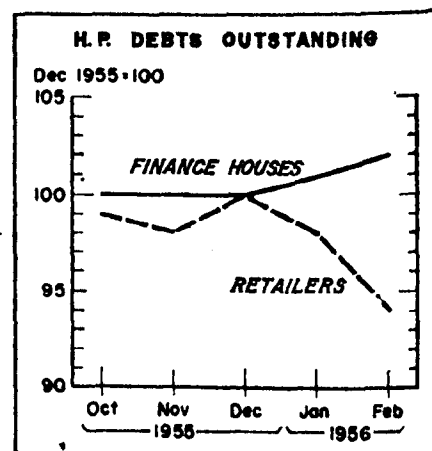
hire purchase debt was probably in the range of £450 million to £510 million at the end of 1955.

The statisticians think that in December retailers' weekly hire purchase sales were about £3 million for furniture and furnishings shops, £1½ million for hardware, radio and electrical shops, and at not quite £500,000 for the department stores—a total of £5 million a week. The 262 finance houses extended credit of £15 million in that calendar month. The statisticians wisely decline to amalgamate the two totals. The curious inquirer may guess that the volume of hire purchase selling at the end of last year may have been at the rate of at least £400 million a year net of deposit.

If indeed the average British man, woman or child was carrying a hire purchase debt of about £10 and incurring new hire purchase debt at about the same gross rate a year, that would not be wildly out of line with previous estimates. Nor is the next conclusion surprising. Hire purchase spending does not form a predominant part of consumers' total expenditure (this reached £12,700 million in 1955); but it is a dominant factor in two groups of expenditure on which it is concentrated—motors and household durable goods. The Chancellor is not wasting his time in attempting to control it. Nor will control itself solve his problems.

It is perhaps worth while to plot the British hire purchase debt per head against such figures for other countries as are readily available. The comparison cannot be treated with too much respect because of major differences in the structure of the figures.

The surprise comes in the index figures. Hire purchase through the shops and to a less extent through the finance houses (whose figures are heavily weighted by motors) was already



falling fast before the latest restrictions. came in. Between October and January the retailers' index fell 40 per cent and it fell slightly again in February. In the finance house figures there was a drop of 20 per cent between October and December followed by an approximately equal recovery in January and February. The difficulty in assessing these divergent movements is that a seasonal trend is clearly present but that its shape is not yet known. The provisional guess must be that hire purchase sales of most groups except motors were already heading downwards before the latest restrictions.

FINANCE HOUSES INDEX
Value of credit per calendar month (December 1955 = 100)

	1955			1956	
	Oct.	Nov.	Dec.	Jan.	Feb.*
<i>Hire Purchase Credit Extended</i>					
Private cars—new	111	104	100	117	...
—used	135	111	100	118	...
Commercial vehicles	127	117	100	126	...
Motor cycles, side cars, power assisted cycles	148	114	100	107	...
Caravans	160	118	100	92	...
Farm equipment and tractors	112	105	100	91	...
Industrial and building plant	121	120	100	123	...
Furniture, furnishing & floor coverings	114	119	100	95	...
Radio, television, musical instruments	123	137	100	99	...
Domestic appliances	164	145	100	111	...
All goods (incl. goods not shown above)	125	112	100	114	122

* Provisional.

RETAILERS HIRE PURCHASE INDEX
Weekly value of goods sold (December 1955 = 100)

The retail index is based on total selling prices including the deposit and sometimes the interest charges. It therefore differs from the finance house basis which is net of deposit but inclusive of hire purchase charges. The British figures also differ in basis substantially from most foreign sources.

By Type of Shop	1955			1956	
	Oct.	Nov.	Dec.	Jan.	Feb.
Furniture and furnishings	104	101	100	74	70
Hardware, radio & electrical	135	107	100	62	65
Of which:—					
Radio and electrical	134	105	100	62	64
Department stores	134	118	100	68	61
Total	119	105	100	71	69

Co-operative societies' figures are included only in the total for hardware, radio and electrical goods shops; the nationalised gas and electricity undertakings are included only in the total.

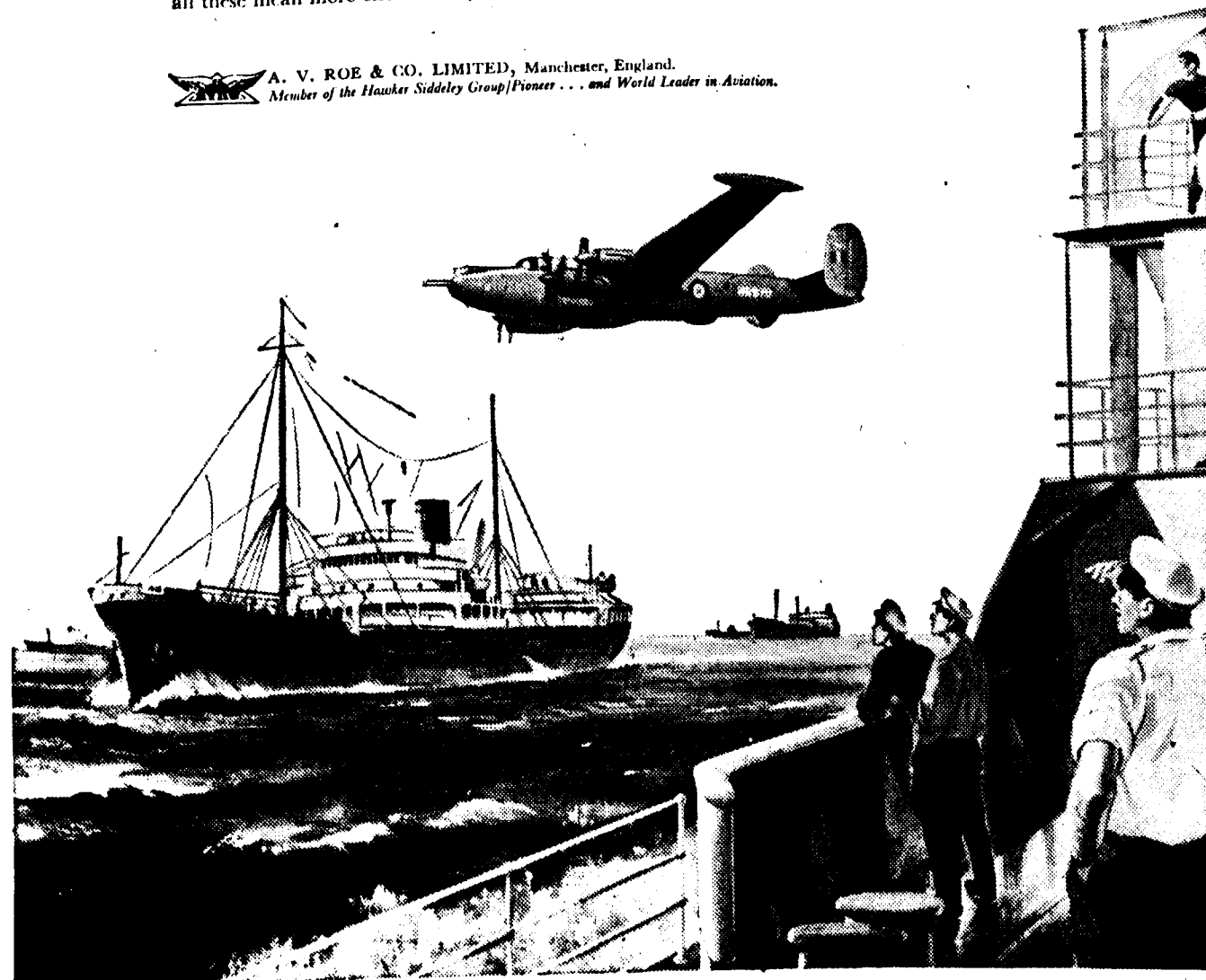
Source: Board of Trade.

Avro Shackleton

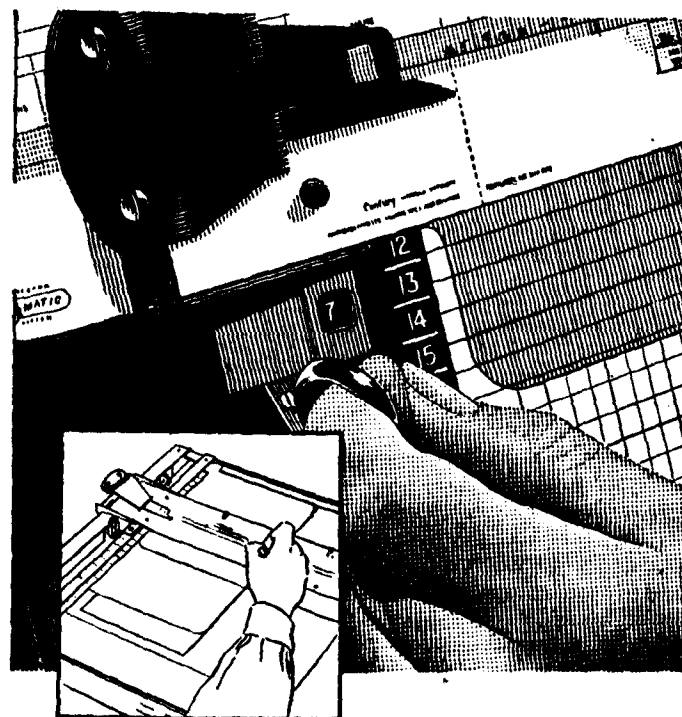
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capital market became really tight. These liquid assets are balanced by capital commitments, which for ships under construction or on order come to £21½ million. And these commitments exclude those relating to the tanker programme which will loom large next year and the years after.

Tax on Fortified Ciders

THE new excise duty upon the more potent makes of cider and perry comes as no surprise to the trade. "Fortified" versions of these drinks, such as "Babydam Champagne Perry" and some of the Merrydown ciders, have been selling in considerable quantities since they were first marketed on any scale three or four years ago and the traditional cider makers have not greatly appreciated this particular form of competition. Using somewhat different methods and extra materials, it has been possible to produce more sophisticated ciders and perries with an alcoholic content markedly above the normal 10°-12° proof of cider made by fermentation only, which includes farmhouse rough. These cheaper products have also recently been making some inroads upon other drink markets.

Duty of 10s. 6d. a gallon on still ciders (28s. 6d. on sparkling) will raise the shop price of a normal-sized bottle which sells at 4s. 3d. to about 6s. No doubt this will have some dampening effect upon the rate of future expansion in sales; a reasoned estimate would put present sales at between half a million gallons and three-quarters of a million gallons. This compares with a total cider and perry production of about 19-20 million gallons a year—from presses that send in returns. Ordinary cider made by simple fermentation and sold in bottles under brand names or on draught is not affected by the duty and specific provisions have been made to exclude it even if fermentation should occasionally raise its alcoholic content above the dutiable 15° proof.

Fall in Metals

THE non-ferrous metals are at last bowing to disinflation. Prices of all four on the London Metal Exchange are now at just about the lowest levels reached this year. Copper, which soared to a new peak of £437 a ton for cash early in March, has dropped by over £70 a ton, and is well below the fixed price of £385 a ton charged by the Rhodesian Selection Trust companies. In the past month tin has dropped fairly steadily by about £60 to £763 a ton for cash metal. Lead has fallen by nearly £9 a ton in the same period; the current price of £113 10s. a ton for prompt lead is so close to the American price of 16 cents a lb that a further fall in London could divert shipments to the United States and perhaps lead to a fall in the American price. Zinc, too, has dropped by over £5 since the middle of March to about £98 a ton for prompt metal. Warehouse stocks of all metals save lead have risen (though stocks of zinc are still small), and the premium for spot supplies has

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accordingly declined. The credit squeeze here and abroad cannot take all the credit for the fall in metal prices. All four owed part of their strength not only to buoyant world consumption but to temporary shortages, or the threat of shortages, owing to strikes. Those troubles are past; con-

NON-FERROUS METALS PRICES
(£ per ton)

	Jan. 4, 1955	Jan. 2, 1956	April 3, 1956	April 19, 1956
Copper, cash.....	299	396	398	364
Tin, cash.....	693	834	785	763
Lead, prompt.....	106	121	120	113½
Zinc, prompt.....	85	102	99	98

sumers' demands have been trimmed by dearer money, and trading is temporarily slack. How many consumers dare to buy on a falling market?

Railway Investment this Year

THE report issued last week by the Transport Commission on the progress of the railway modernisation programme makes it quite clear that improvement of the freight services comes first on the Commission's present list of priorities. Dieselisation and electrification of main-line routes must first wait for the pilot batch of diesel locomotives to be tried out in normal operation and for a considerable amount of route electrification to be done. The first of these main-line diesels should be coming in next year; and some work will start this year on the electrification of certain London suburban routes, the remaining steam lines in the Southern Region, and on the Manchester-Crewe section of the London-Merseyside route. Other work to improve signalling and some passenger stations will start soon; £26 million will be spent in the next two years on new passenger coaches and another £25 million on building diesel train units and their maintenance sheds. There has been a marked improvement in traffic where these diesel trains have already been introduced on passenger services.

But well over half of the new investment—which despite the government's cuts will this year be about double the £45 million spent in 1953—has been earmarked for new freight wagons, marshalling yards, and goods depots. About 70,000 wagons are to be built in 1956. This is more than a quarter of the total for the whole fifteen years; it will mean much less work for outside contractors in a few years' time, but the Commission plainly needs the new wagons now rather than later. The latest batch of orders consists mainly of 21-ton coal hopper wagons (it also includes one 40-ton armour plate wagon). The 24½-ton coal wagon, on which the Commission intends eventually to standardise, is to await an expansion of terminal handling facilities able to take it. And now that the Commission has decided to use vacuum instead of air brakes on its rolling stock, a start will be made next year on fitting these continuous brakes to the existing stock of wagons.

De Havilland's Rising Star

THE profits of de Havilland have swung in the space of a year from a loss of £1.3 million to a surplus of £2.6 million, and after a year's lapse, the group has started paying dividends again—of 5 per cent on its ordinary shares. These buoyant results owe nothing to the Comet, but possibly a great deal to the lightening, with the help of the Ministry of Supply, of the heavy shadow that the Comet cast across the company's financial prospects. There were two sources of earnings. One is the steady bread-and-butter trade in small civil aircraft like Doves and Herons, of which 500 and 106 respectively have been sold to date or 108 now that the Queen's Flight is to add two extra Herons to its strength; and a large business in Vampire trainers, which are used by 20 air forces. Since these are fully equipped with guns and can drop bombs, small air forces buy them as a portmanteau fighter-bomber-trainer; they are, indeed, the only relatively cheap jet fighters left in production, costing less than half the price of a modern Hunter. The second source of earnings was provided by the engine and propeller companies of the group. The former is supplying engine replacements in large numbers for de Havilland fighters, and the latter builds the airscrews for many of the piston and turbo-prop engines in production in this country, including those for the Britannia. Export sales in particular earn a high rate of profit, and after payment of taxes, the group had a net surplus of £958,575 compared with a loss for the previous year of £663,415. Out of this surplus, £252,163 has been absorbed by the net dividend.

The Bill for the Comet

AT the end of September, 1954, de Havilland's stock and work in progress, after the deduction of progress payments by customers for aircraft on order (these payments included £5.3 million from BOAC) stood at nearly £24 million. Nearly £6 million of this represented Comets in various stages of completion, but in addition the company wrote off a further £4.7 million of Comets as a total loss. It was in a situation of heavy financial strain. On the last day of March, 1955, shortly after the Court of Inquiry had published its report on the Comet disasters, the Ministry of Supply gave de Havilland a cheque for £6½ million, as an advance payment towards the purchase of five Comet Is and 18 Comet IIs, some of which had been built and put into service, some of which were part finished and none of which, following the report, had any further use as civil airliners. The total bill to the Ministry is likely to be between £10 and £11 million. These aircraft have not yet been handed over, but the Ministry's £6½ million payment has gone to reduce the company's outstanding liabilities in relation to the great volume of work in hand with which it found itself at the end of the previous financial year.

The Comptroller and Auditor-General, Sir Frank Tribe, has been rather critical of these arrangements. In his recent report on the Civil Appropriations Accounts, 1954-55, he

questioned whether the Ministry should have agreed to pay as much as it did for stripped airframes and for aircraft that no longer had any market value. The Ministry told him that the Comets did have a certain value, if only as test specimens for further research. But the crux of the Ministry's case lies in the phrase that it decided against "taking advantage of the company's vulnerable position to drive the hardest possible bargains, for to have done otherwise would have been inconsistent with the purpose of these arrangements." How vulnerable the company was in March 1955, only the accountants and the Ministry will ever know. It had sunk a great deal more of its own funds in the Comet project than it will get back from the Ministry; it had to buy back from BOAC the remainder of the corporation's fleet of Comet Is at a cost of probably around £1 million; customers like Air France were demanding £2 million compensation for the grounding of Comet fleets (the airline is still waiting for its money while government negotiations drag on). The Ministry of Supply acted quickly to save the company from its worst immediate embarrassments. Who can say that the decision was wrong when other manufacturers have consumed far more public money for smaller results?

Comic Opera in HP Finance

GILBERTIAN moves, counter-moves, sallies and broadsides have characterised the attempts of the past few weeks to form a new association for hire-purchase finance companies. Elaborate rules and regulations have been drawn up for organisations without members, groups have splintered, reconciliations have taken place, all to the tune of press communiqués worthy—well, almost worthy—of a diplomatic conference.

Through the fog that these activities have succeeded in creating, the shape of events is still not clear. The attempt to form a new association was started by a number of middle-sized finance companies that are still not large enough to be accepted into the Finance Houses Association, which caters for the nationally operating institutions. Early this year, a small steering committee was set up consisting of members of Equity Credit, Campbell Discount, GNC Finance, and Belmont Finance. This committee proposed the establishment of a company entitled the Industrial Bankers Association. However, an attempt by another finance company, Gwent and West of England Enterprises, to register an association under this name had been turned down by the Board of Trade; and Gwent thenceforward changed the name of its protégé to the Association of Industrial Finance Companies, which has been duly registered as a limited company.

The London finance companies, however, were reluctant to drop the coveted word "banker" from the title of their organisation. But now they appear to have bowed to reason and agreed to come in under the registered title. That is in itself something of a euphemism, since number of the companies that are likely to join deal mainly or exclusively with the finance of consumer goods. The criterion of membership of the association is apparent that members' principal activity is hire-purchase finance. Certainly, it will be to the good if an association is estab-



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CRC 14

A SHIPOWNER TAKES STOCK

SIR WILLIAM C. CURRIE, G.B.E.,
Chairman of the Peninsular and Oriental Steam Navigation Company
discusses the

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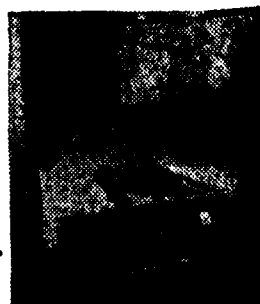
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EXTRUSION



lished to lay down proper standards of conduct and liquidity for the many hundred small companies that engage in hire-purchase finance. But it is to be hoped that the organisers will henceforth show a surer touch.

Vauxhall Looks to 1958

"WHILST 1956 may in many ways be a difficult year, there is every reason to be optimistic about the long term future of the British motor industry." This sentence in full report of Vauxhall Motors for 1955 is the key to the decision to speed up the £36 million expansion programme, announced in September, 1954, and originally planned as a five years scheme. It will now be completed in 1958. The programme is well up to schedule; over £9 million was spent on fixed assets last year and contracts of £11 million for buildings and of £12 million for machinery and equipment have been placed. About half the cost of the scheme will be financed either by the private placing of loan stocks in this country or by loans from General Motors. At the end of last December Vauxhall had received about £10.8 million from these loans and at the end of March a further £5.6 million on the 5½ per cent loan stock had been received and Vauxhall had made arrangements to borrow a further \$3½ million at 5½ per cent from General Motors.

The directors of Vauxhall Motors can look back with some satisfaction at the increase in home sales from 60,182 to 66,078 vehicles and in exports from 70,769 to 76,071 vehicles last year. But, like the other motor manufacturers, they are worried by the rise in costs. The value of sales

rose by about 13 per cent, from £66½ million to £75 million, but profits before tax declined by about 13 per cent and earnings after tax by about 5 per cent, from £6,861,628 to

SALES AND PROFITS (£'000s)

	Years to December 31	
	1954	1955
Sales.....	66,631	75,113
Materials, etc.....	41,954	49,873
Wages and salaries.....	8,954	10,656
Pensions, etc.....	1,854	1,864
Depreciation.....	1,511	1,909
Taxation.....	5,571	4,282
Loan interest, etc.....	121	515
Net earnings.....	6,862	6,542

£6,542,467. The ratio of net profits to net sales fell from 10.3 to 8.7 per cent. This year may produce even more discouraging figures, but the eyes of the Vauxhall directors are on 1958 and the years after.

Speeding

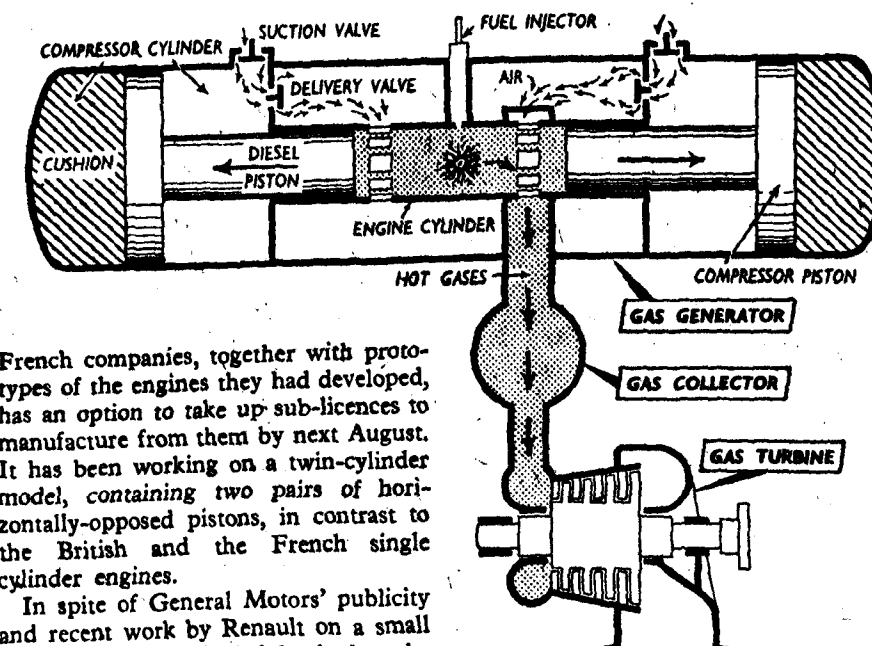
40?

THE London and Home Counties Transport Committee which has seen too many of its reports quietly filed away in the Ministry of Transport treads cautiously in its latest report, on the 30 mph speed limit in built up areas. It was asked at the end of 1954 to review the inci-

New Power—but not for Cars?

A "FREE PISTON" engine, shown in the diagram in simplified form, is essentially a method of producing gas to drive a turbine. It consists of an inner cylinder containing two diesel pistons, which are driven apart by the combustion of fuel injected into the space between them. Fixed to the inner pistons are two larger compressor pistons, which work in outer cylinders the ends of which are sealed. When the inner pistons are driven apart air is compressed in the outer cylinders, forming a cushion from which the pistons rebound, compressing in turn the air in the inner cylinder ready for the next firing stroke. The exhaust from the combustion space is driven first to the gas collector and then direct to the turbine blades.

Exclusive rights, for the British Commonwealth and Egypt, to the free piston engine invented by Count Pescara were acquired by the British engineering development company, Alan Muntz & Co., Ltd.; a Swiss company and its French manufacturing associate hold the rights for the rest of the world. General Motors, which acquired over two years ago access to the work of the British and



French companies, together with prototypes of the engines they had developed, has an option to take up sub-licences to manufacture from them by next August. It has been working on a twin-cylinder model, containing two pairs of horizontally-opposed pistons, in contrast to the British and the French single cylinder engines.

In spite of General Motors' publicity and recent work by Renault on a small engine, it is still doubtful whether the free piston gas generator will ever be economic in small cars. But for heavier transport, such as lorries and earth-moving equipment, especially if a cheap fuel can be used, it may have advantages over other engines. Progress has been

Adapted from chart drawn by Associated British Engineering, Ltd.

most rapid in the fields of electrical generating and other industrial plant, ship propulsion and locomotive traction.

Xmas 6. MUSE

dence of this speed limit in London and to suggest whether different limits should be imposed on the main traffic routes in the area. On the whole it finds the present system of restriction satisfactory. It made one interim recommendation, which has since been inserted in the Road Traffic Bill, to remove a glaring anomaly in the way the restriction has been working. Since 1935 the erection of street lighting has automatically extended the speed limit, lighting being the original sole criterion for defining a built up area. This has not helped to increase the respect with which the speed limit is held so the committee suggested that trunk and classified roads should in future be excluded.

The introduction of different speed limits on major routes is a much more controversial issue and the committee has had to pick a path through the opposing arguments of the police, the Road Research Laboratory, and most local authorities who were in favour of a different and higher limit, and an unholy alliance formed by the organisations of road users who for different reasons were against any change. The committee itself split, with a minority of four arguing that the new 40 mph limit the majority recommended would probably be applied mainly to roads at present free of restriction and suggesting instead that a limit of 45 mph be first tried out as a small-scale experiment. The majority thought that the question of enforcement was the crucial factor, and were probably right to do so. Traffic flow would be improved if the new limit is properly applied and the antiquated vehicle speed limits are brought into line with present standards of bus and lorry design; and on the committee's modest list of roads at least there should be no loss in safety. As a first step the committee's proposals should be useful in making better use of parts of the present road system; some of the more attractive features of the American methods of fixing differential traffic and lane speeds can be looked at again later. But the danger of the committee's proposal lies in the obvious temptation to use different speed limits on some bad roads instead of improving them.

TV's Audience

OF all the organisations now so busily measuring the nightly size of television audiences, the BBC has the longest and the widest experience and in a paper presented on Wednesday to the Royal Statistical Society, Mr B. P. Emmet summarised the collated findings of three separate BBC investigations into the size and nature of the television audience in this country. His findings were not accepted by the audience quite without question, but they should cheer both the programme contractors of the Independent Television Authority and the hard-hit radio industry, for he traces a remarkably steady rate of growth of between 6 and 8 per cent per year in the size of television audiences in district after district where transmissions have been started. In the nine years since the service reopened in 1947, the audience has grown from 80,000 to 15 million, 40 per cent of the adult population, and from the present evidence, Mr Emmet considers it certain that by 1960, three-quarters of the adult population will have television in their homes.

The television audience gives a fairer cross-section of the population now than it did a few years ago. Families

with incomes of £10 a week and under make up a steadily rising proportion of the total audience. By the end of 1954, they accounted for 59 per cent of the adults with television while when the service started, nearly half the viewers were in families with incomes of £15 and over, the advertisers' "Class I" public. This, and the fact that it is the larger families that own sets, is of some significance to advertisers. Mr Emmet believes that, so far as employment is concerned, more than 60 per cent of the audience falls into the skilled category; the semi-skilled, the unskilled and the unclassifiable make up 31 per cent, with the professionals and executives, 8.4 per cent. The higher the level of education, the greater the sales resistance seems to be to television—or the greater the call of other expenditure.

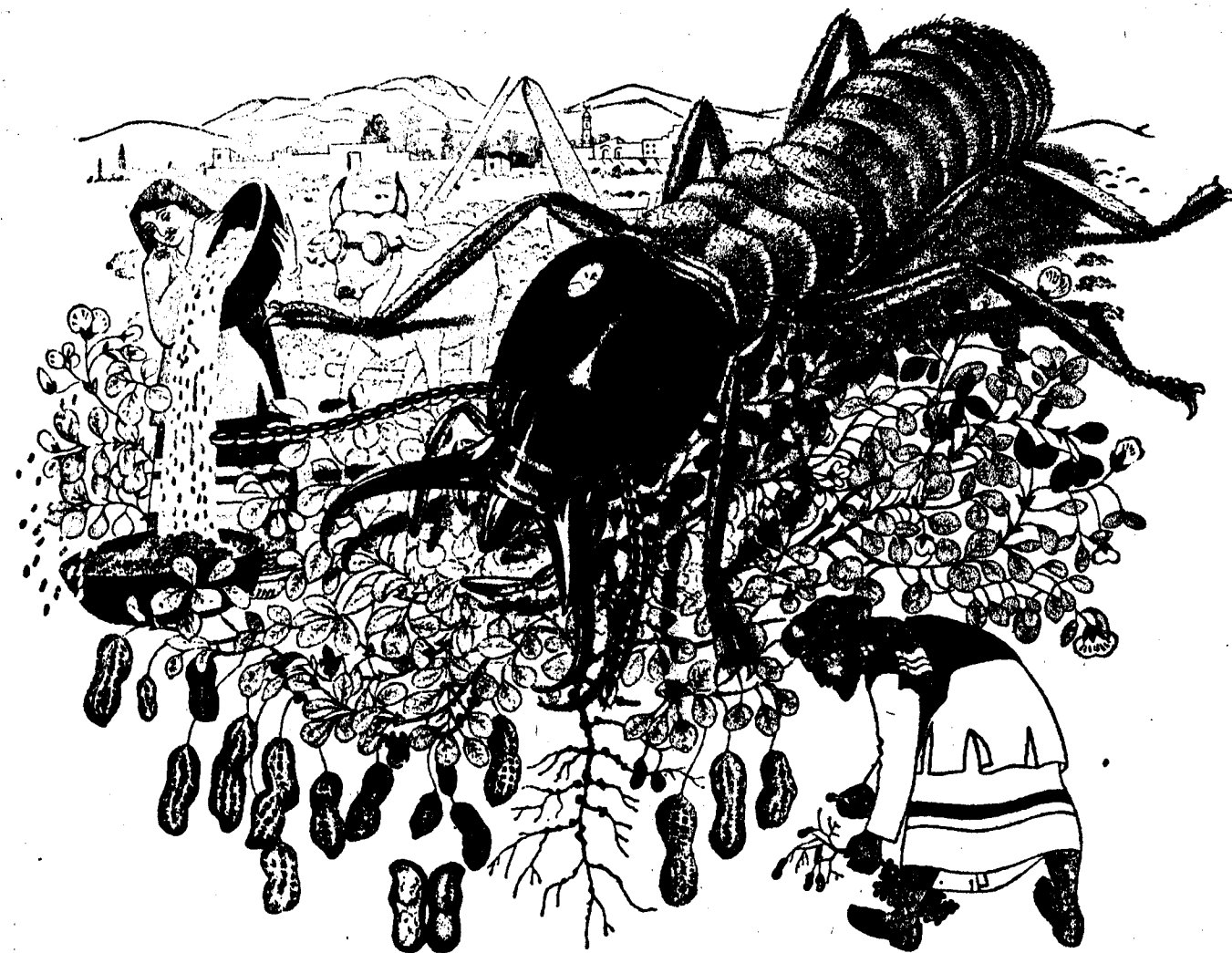
The maximum size of the television audience seems to average about 40 per cent of the possible total in the evening, after 6 pm, and about 10 per cent during the day. During any evening, from 60 to 80 per cent of the potential audience see some programme or other, and they watch about two programmes out of every five. With 15 million potential viewers, the sheer size of the audience week in, week out, is staggering.

The coming of independent television has made little difference to this pattern; it has merely given confirmed viewers a choice of programme. Mr Emmet puts the size of the commercial audience in London at the end of 1955 at about 1.4 million, or 32 per cent of the television public in the London area, not all of whom were within range of ITA transmissions. By the end of the year, ITA seemed to have 51 per cent of actual viewers, compared with only 46 per cent when its services started in the autumn. Mr Emmet gives no views on how this trend will develop but he does suggest that the immense appetite for viewing will become satiated—a little. The longer a family has owned a set, the less its members watch. Although the television audience will grow and grow in total size, in Mr Emmet's personal opinion, the average amount of viewing that goes on may well drop from the present average of 40 per cent of the audience any evening to somewhere nearer 25 to 30 per cent.

Return of Lend-Lease Silver

THE Treasury announced last week that a start has been made on the physical return to the United States of the silver that was sent to the United Kingdom during the war under lend-lease arrangements. The total involved was 88 million ounces. Silver throughout was kept on a different footing from the other lend-lease operations; in particular, specific provision was made for the silver to be returned in kind to the United States within five years of the official termination of hostilities. For the United States this date was the signing of the peace treaty with Japan in April, 1952, so that all the lend-lease silver is due to be returned by April, 1957.

The silver received under lend-lease was used mainly for wartime industrial purposes such as the manufacture of photographic film and the wiring and soldering of special equipment. In most of these uses the silver was irretrievably lost in usage. To repay the loan in kind the British government has had to extract it from the coinage, recalling the



The case of *Odontotermes obesus* . . .

In Pakistan, groundnuts have considerable potential value as a cash crop — provided that they can be protected from the attacks of the termite *O. obesus*.

Termites are subterranean pests which normally feed on dead plant tissues but, once they have invaded cultivated ground where vegetable debris from previous crops is always plentiful, they soon augment their diet from the growing crop. Groundnuts, because the tips of the shoots enter the soil to bury the seed are particularly liable to attack.

In 1954, following the destruction of 200 acres of groundnuts on a single farm, the Shell insecticide aldrin was used for termite control. The result was a bumper

harvest with yields up ten times in the irrigated areas and up six times without irrigation. Germination was 99% throughout, against 20-30% in the untreated plot which was retained for check purposes.

Since this demonstration of its effectiveness as a soil insecticide, aldrin has come into general use and, at 1 lb. per acre, is giving complete protection from termites to Pakistan's valuable groundnut production.

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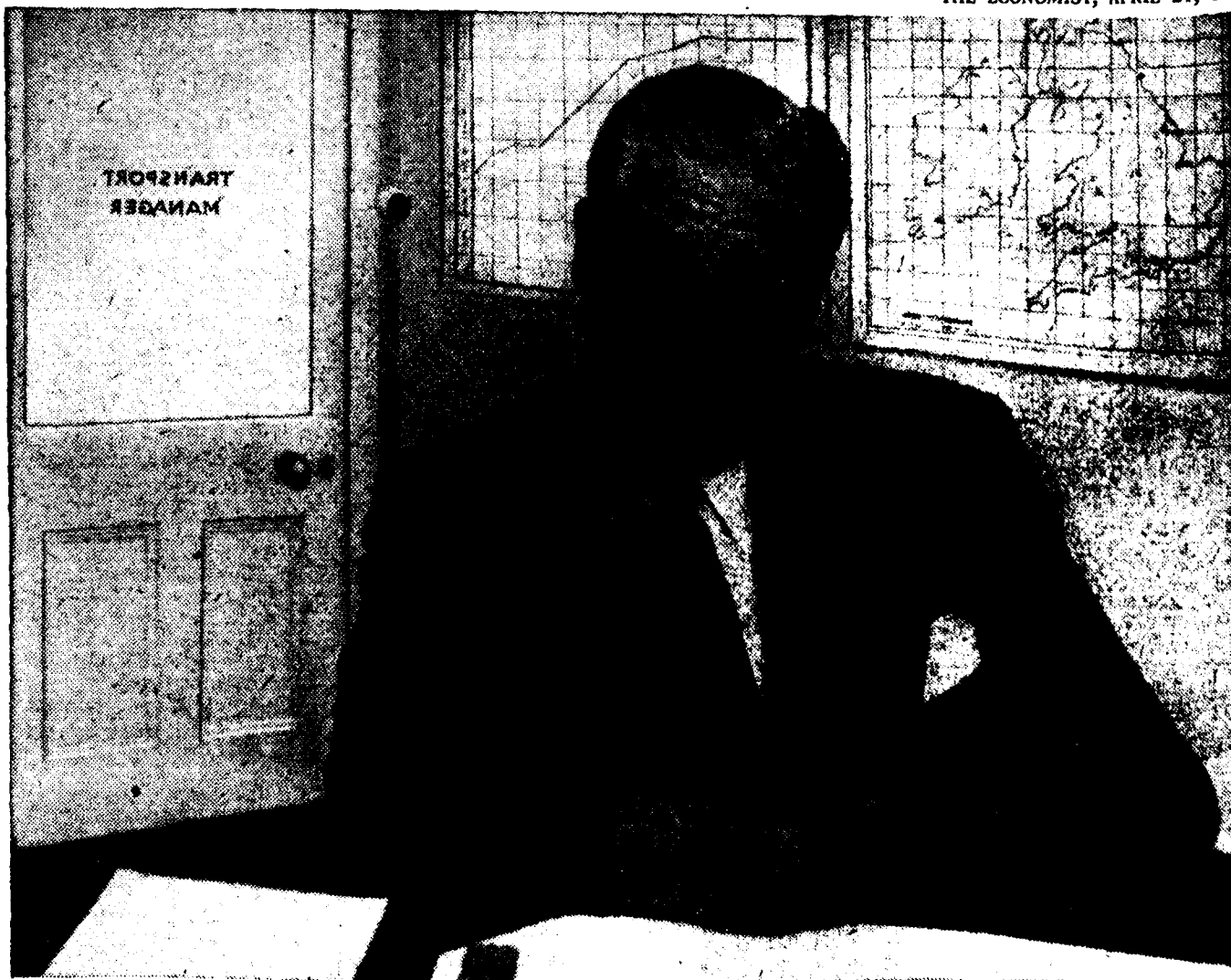
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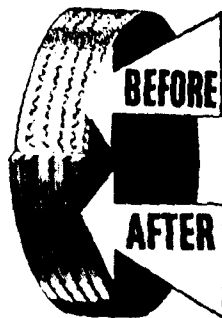
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silver coins and replacing them by cupro-nickel. The task of melting and refining this silver coinage has presented the Mint with tremendous technical problems. Most of the coin that was called in was of post-1920 issue and consisted of 50 per cent silver. The task, however, is nearly finished and the silver has been refined into the customary thousand-ounce bars. The value of the silver being returned to the United States would at current prices be about £29 million. The United Kingdom is by no means the main silver debtor of the United States. India and Pakistan between them have to return under the same conditions about 226 million ounces of silver. This task was also the main factor in inducing both countries to recall their silver rupee coins from circulation, replacing them with almost pure nickel coinage.

Tired Pilots

A NUMBER of investigations into accidents to civil aircraft have been attributed to tiredness on the part of the pilot that blurred his judgment at a critical moment. The pilot's skill is, perhaps unfortunately, put to its most severe and exacting test right at the end of a flight, when he brings the aircraft in to land. This makes the number of hours that a pilot can be on duty, and still keep his reactions thoroughly alert and fresh, a matter of sharp concern to the airlines, the pilots and, not least, their passengers. In the United States and a number of other countries this is defined by legislation. In Britain it is not, and the Ministry of Transport has spent some time in preparing draft legislation to meet the criticisms about flying hours that have been made in the course of some accident inquiries.

Last week the British Airline Pilots' Association published in its journal criticisms of the draft that had been circulated privately by the Ministry to the parties affected by it. The limits proposed by the Ministry are wider than those in force in the United States, and provide in some cases for longer hours of duty than are worked today on certain routes. Very roughly, they would allow a pilot to fly not more than 1,000 hours a year, or 120 hours every 30 days: the maximum period allowed on duty is about 16 hours. The pilots' association would like to see much more specific regulations that would distinguish between day and night flying, between aircraft whose crew is made up of two pilots alone and those that carry also engineers, navigators and radio operators. The draft regulations for long journeys satisfy the pilots' association, but the draft shows no recognition that greater strain may be imposed on crews flying short journeys to and from Europe with frequent take-off and landing, probably during bad weather, in the same duty period that long-range crews are passing peacefully across the Atlantic with their automatic pilots. Medical evidence is not at all clear about the onset of fatigue, nor is it an easy matter for the individual himself to judge. This is not a question that should be left to arbitration like any other dispute about working conditions. Appearances suggest that the draft is now undergoing modification; the final Bill is unlikely to be tabled before the autumn.

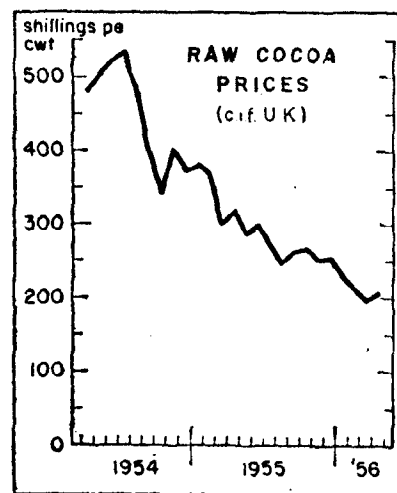
Chilean Peso Goes Free

CHILE is the latest South American country to turn its back on multiple exchange rates bolstered by complex import licensing regulations, and to take the plunge into a multilateral system. The change is not being made to a fixed parity but rather to a free exchange system. This new system came into force last Monday, and compared with the previous official exchange rate of 110 pesos to the US dollar and the corresponding rate of 308 pesos to the £. As a result the free exchange rate has been quoted at about 500 to the dollar and 1,400 to the pound. The new arrangements have the blessing of the International Monetary Fund, in whose eyes the virtues of Chile's rejection of the former complex of multiple rates clearly outweigh the disadvantages of a fluctuating exchange rate. The approval of the IMF has been marked by granting to Chile a one-year standby credit under which Chile will have the right without further question to purchase up to the equivalent of \$35 million in currencies from the Fund. In addition the Chilean government has made arrangements for stabilisation credits of \$30 million with private banks in the United States and a further exchange agreement with the US Treasury involving total drawing facilities of \$10 million. The plunge into freedom is thus made with a fair cushion of reserves which the Central Bank of Chile can use if need be to intervene in the market and thus avoid excessive variations in the rate of exchange.

Chile's currency reform is another feather in the cap of the American firm of economic consultants—Messrs Klein and Saks—who were responsible for the Peruvian currency reform of 1949-50. Their report, on which the Chilean reform has been based, involves credit restriction stringent enough to restrain the demand for imports. It will be supplemented by severe specific restrictions, cutting imports down to a list of essential food and manufactured goods. The new rate of exchange is at the same time expected to stimulate exports. The readiness of the Chilean Government to accept the draconian programme set out for them by independent consultants reflects the serious inflation of which it has indulged and its pressing need for reserves.

Cocoa Rallies

UNTIL recently it seemed that cocoa prices could move only downwards. But a short-lived rally has occurred this month. The earlier fall in prices was accentuated by the difficulties of some French firms that had been over-trading. Dealers were affected particularly in London, and had to protect themselves by making substantial sales elsewhere. Accra cocoa dropped to 182s. 6d. a cwt. for April-June shipment, the lowest level for six years. Then some speculators in New York turned bullish, helped by unfavourable reports—later denied—of the temporary crop in Brazil. Prices rose and London dealers, who were evidently over-sold, covered their sales. That helped to push prices higher, and in just over a week cocoa rose 30s. a cwt. Now the market has weakened again, and Accra cocoa for April-June shipment is back to about 200s. a cwt. Quite large quantities have been bought this month, by manufacturers



as well as by dealers. The British West African marketing boards alone sold about 30,000 tons in the first three weeks of April; that brings their sales this season to 285,000 tons and leaves only about 50,000 tons of the current crops unsold.

Though world consumption of cocoa is responding to lower prices, the response is slower than most people had expected. Conversely, world production is higher than was expected, and well above the current rate of con-

sumption. Hence cocoa's troubles are not yet over. A reminder of what falling prices can mean to consumers as well as to producers came recently from Joseph Terry & Sons, Ltd., the chocolate manufacturers. The trading profit for 1955 fell sharply from £702,000 to £371,000 owing mainly to the writing down of stocks, and the final ordinary dividend has been cut from 15 to 10 per cent, making 15 per cent for the year.

SHORTER NOTE

The long silence of the oil companies since the Motor Accessories Manufacturers' Association was formed in January reviving the controversy about tied garages was broken last week by a policy statement from Shell-Mex and BP Ltd. Amongst other matters, the company stated that it had no intention of restricting sales of tyres, batteries, and accessories on the stations it owned or supplied.

its share of the money needed for the first two stages of development. About \$42 million will be raised by borrowing in Canada and the other \$30 million will come from subscriptions for the ordinary shares of Canadian British Aluminium by two parent companies.

British Aluminium will have to find about £7 million for the first stages of the project. It has arranged, with the consent of the Treasury, to borrow about £3 million from British banks; these loans will run for between three and five years, but within this time it is hoped to fund them, probably by issuing loan capital. The remaining £4 million will be raised by a rights issue of about 2 million ordinary shares. The details are still to come. The existing £1 stock units are quoted at 53s. 9d. to yield 4½ per cent. With more ordinary capital and either bank loans or a loan stock to service, dividends are likely to be conservative. But aluminium is a metal with a bright future.

SEARS HOLDINGS. Since his bid for the ordinary shares of J. Sears (True-form) Boot, perhaps his most famous take-over bid, Mr Charles Clore seems to have kept two objectives in mind—to extend his empire into a miscellaneous collection of enterprises and to be more generous with dividends.

For 1955 the dividend on the ordinary and "A" ordinary shares is 20 per cent, absorbing £415,000 from available earnings of £1,476,000. But that is not the end, for Sears Holdings is to make a 50 per cent free issue and the directors "hope at least to be able to maintain" the dividend of 20 per cent on the increased capital. In looking this far ahead, Mr Clore justifies the policy by saying that the directors always aim at striking a "fair balance" between dividends and profit retentions. Moreover, he points out that the cost of the additional dividend payment will be less than the £298,453 which had to be deducted from earnings in 1955 as they represented pre-acquisition profits of Bentley Engineering.

On the growth of his industrial empire,

Mr Clore can let the profit record speak for itself:

	1954	1955
Gross profits:		
Footwear group.....	996,000	1,501,000
Bentley group.....	1,734,000	1,952,000
Furness group.....	486,000	844,000
Total.....	3,216,000	4,297,000

In commenting on these figures, Mr Clore says that sales in the group's footwear shops rose by more than the national average and that the group began to receive some of the benefits from carrying "improved merchandise" and from the programme of modernising the shops. Within the Bentley group, engaged primarily in the production of hosiery knitting machines, Mr Clore hopes that the rationalisation of production will enable the group to continue to earn good profits. The Furness group, the ship-building concern, has its yards fully booked for several years ahead. Sears Holdings also acquired in 1955 the retail footwear business of Phillips Brothers Character Shoes and since the end of the financial year has acquired the share capital of Parmeko, manufacturers of transformers for the electronics and electrical industries.

WAN HUNTER AND WIGHAM RICHARDSON.

Next to the effective increase in the ordinary dividend from 12 to 14 per cent the most important change in the 1955 accounts of Swan Hunter and Wigham Richardson, the Tyneside shipbuilders, is the increase in expenditure on work in progress from £13.3 million to £17.3 million. Instalments received on account of that work also went up, from £12.2 million to £15.9 million. These figures show how fully employed Swan Hunter's shipbuilding yards were last year, even though profits remained almost unchanged at just over £3 million.

The company's yards have enough work under construction and on order to keep them fully employed for the next three years. But the chairman, Mr J. W. Elliott, is concerned about the re-emerging

shortage of steel, which may, he fears, "lead to a slowing up of the programme of new work, or at least to being unable to take full advantage of the reconstruction and re-equipment now under way designed to increase production." The reconstruction programme is making "steady progress," but at the Tyne works alone a further £3 million will have to be spent. The directors of Swan Hunter hope to be able to finance all the capital developments out of the group's own funds. At 55s. xd. the £1 ordinary stock units yield 5.2 per cent.

THOMAS TILLING. The decision of the directors of Thomas Tilling to leave the ordinary dividend at 10 per cent has already been discussed. It is still not clear from the full accounts how much of the increase in the consolidated trading surplus (from £1,357,694 to £2,179,015) is due to the bringing of earnings of recently acquired subsidiaries into account. In the parent company's balance sheet shares at cost of subsidiary companies have risen from £3,901,284 to £6,543,509. A new item appears in the consolidated balance sheet; it is £3,769,346, representing hire purchase debtors of the new subsidiary, Mutual Finance, which specialises in hire purchase finance on vehicles, plant, machinery and machine tools.

In his review Mr Lionel Fraser, the merchant banker who is chairman of this industrial and commercial holding company, deals with each of the subsidiary and associate companies. He mentions that James A. Jobling, the makers of "Pyrex" glassware, was able to secure an increase in sales and profits and that new extensions are planned. Mutual Finance, too, enjoyed a good year, but it is now under the shadow of the restrictions on hire purchase. Mr Fraser also expects "leaner years" for Cornhill Insurance. His final summing up is that "the prospects in the great majority of the companies appear distinctly encouraging, but these appearances may in the short term be upset by the battle against inflation." At 42s. 6d. xd. the £1 units yield 4.7 per cent—the yield of a growth stock.

LONDON STOCK EXCHANGE

Next Account begins: May 2nd

Next Contango Day: May 2nd

Next Settlement Day: April 24th

BOTH gilt-edged securities and industrial shares rose in anticipation of the Budget. The March trade figures assisted a steady rise towards the close of last week and in a more active market on Monday, immediately preceding the Budget, the pace of the advance increased. Further gains followed the Budget and by Wednesday's close the *Financial Times* index of ordinary shares had risen to 191.7—a gain of 7.8 over the week. Short-dated British Funds continued to lead the improvement in the gilt-edged market.

Large gains were made by insurance stocks. These rises following on the gains last week brought Pearl to 23½ while Legal and General rose to 26. Royal Exchange touched 7½ following the dividend but Guardian lost 1½ to 11½ on the announcement of the dividend. Following the Budget Associated Portland Cement gained 4s. 3d. to 108s. 6d. and London Brick 2s. 3d. to 61s. 3d. Paint manufacturers improved on Friday after the results of British Paints had been disclosed. British Paints rose 9d. over the week to 14s. 9d., Pinchin Johnson gained 2s. 6d. to 25s. and Jenson & Nicholson 1s. to 15s. 9d. Reyrolle was again prominent in a revival among electrical stocks with a rise to 106s. Stores responded to the Budget with a general improvement. GUS "A" gained 2s. 3d. on the week to 39s.; Marks & Spencer "A" reached 67s. 1½d. and Woolworth 61s. Clarke Chapman gained 5s. 6d. on Wednesday to 103s. and steel shares improved.

Oil shares were again the greatest attraction in the market. Interest was maintained through to Thursday when Shell reached 156s. 6d. xd. British Petroleum gained 12s. 6d. on the week to 126s. 10½d. and Burmah 9s. 4½d. to 81s. 3d. Kaffirs remained quiet throughout the week but some gains occurred on Wednesday; Free State Geduld improved ½ to 3½. Coppers eased on the lower price of the commodity, but Consolidated Zinc rose 1s. 3d. to 55s.

Company Notes

BRITISH INSULATED CABLES.

The increase in the ordinary dividend of British Insulated Cables from 10 to 12½ per cent was forecast when the company made a rights issue of ordinary shares in October. Hence it was not the news that this promise had been kept by the declaration of a final payment of 8½ per cent which sent the price of the £1 ordinary stock units up by 1s. 6d. to 54s. 6d. (to yield about 4.6 per cent). This increase reflected satisfaction with the profits in the preliminary statement for the year to December 31st. The group's trading profit has jumped from £7,379,205 to £11,852,852 and despite a much bigger charge for taxation (up from £2,736,162 to £4,839,058) net profits have risen from £3,206,454 to £5,128,161. The net ordinary dividend absorbs only £1,017,175 from this profit and there is thus a good margin of earnings in the leading company of an industry where profits can swing widely.

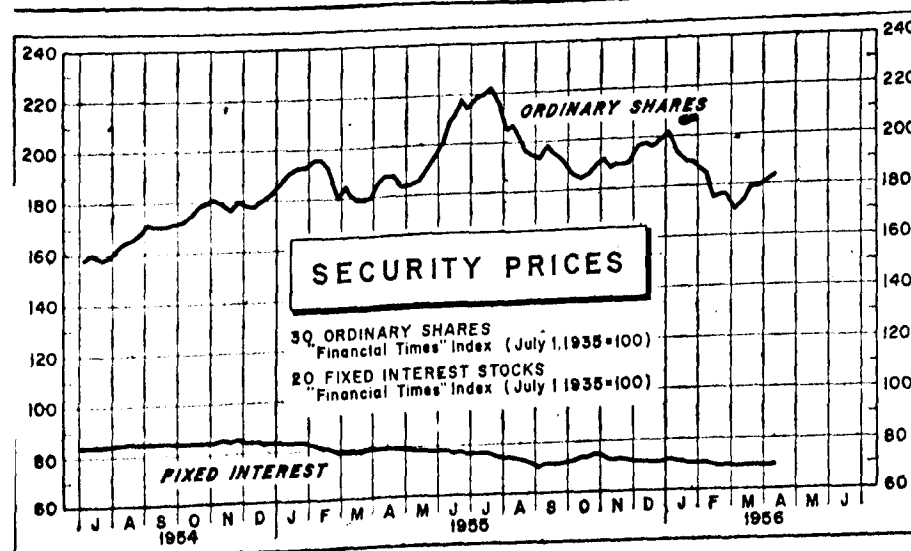
VICKERS. The bigger dividend and higher profits of Vickers sent the company's £1 ordinary stock units up by 2s. 6d. to 41s. 6d. The rise was justified. By declaring a final dividend of 7½ per cent, the directors have set the total ordinary dividend for 1955 at 10 per cent on a capital of £29,227,244. In 1954 an interim dividend of 2½ per cent on a capital of £24,630,968 was followed by a final payment of 6 per cent on a capital of £27,709,839, as increased by a rights issue. The ordinary capital was raised to its present level in 1955 by the issue of a further £1,517,405 of shares for the acquisition of more shares in Power-Samas Accounting Machines. On the new dividend the £1 units yield 4.8 per cent.

This yield looks forward. But confidence about future earnings of Vickers, from its wide field of activities in the

armament, shipbuilding, aircraft, steel and engineering industries, must have been reinforced by the good showing of profits last year. The group's net surplus after tax rose from £3,307,427 to £5,597,696 and profits before tax from £7,399,158 to £11,536,072. In 1954 the figures included the profits of English Steel for about six months and those of Oldings (Hatfield) for about nine months. Profits earned in a full year by these subsidiaries will be included in the latest results and must account for part, but only part, of the increase in earnings.

BRITISH ALUMINIUM. The interest of investors will be concentrated more on the pending rights issue of British Aluminium than on the details of its full report. But they should note that in 1955 trading profits jumped from £1,999,633 to £3,248,463 and net profits from £611,252 to £1,165,296. The value of stocks went up from £6,003,929 to £9,147,598, but the group still retained over £1,650,000 in cash. The ordinary dividend was left unchanged at 12 per cent, because perhaps of the forthcoming rights issue with its promise of more capital to service and of the costly developments that lie still further ahead.

The rights issue of ordinary shares springs from the directors' decision that British Aluminium should be assured of more of its primary metal supplies from within its own organisation. In partnership with the Quebec North Shore Paper Company, British Aluminium has incorporated a new subsidiary, Canadian British Aluminium, in Quebec. This company will build a smelter to be developed in four stages each of a capacity of 400,000 tons a year. The first two stages, costing about \$72 million, will be completed by the autumn of 1959 and the final two, costing about \$57 million, by 1965. British Aluminium's immediate concern is to raise



FINANCIAL TIMES INDICES

1956	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
April 12...	183.8	96.24	4.62	5.69
" 13...	184.3	96.32	4.60	5.67
" 16...	186.2	96.31	4.60	5.65
" 17...	188.0	96.49	4.59	5.59
" 18...	191.7	96.74	4.58	5.48
1956, High.	203.5	99.37	Total bargains 1956	
" Low.	169.7	94.75		
(Jan. 3)	(Jan. 3)		April 12	8,349
(Mar. 8)	(Feb. 17)		" 13	7,945
1955, High.	223.9	115.97	" 16	11,470
" Low.	175.7	98.23	" 17	9,830
(Mar. 15)	(Sept. 2)		" 18	9,867

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, Jan. 1 Apr. 18, 1956	High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Apr. 11, 1956	Price, Apr. 18, 1956	Net Yield, Apr. 18, 1956 %	Gross Yield, Apr. 18, 1956 %	Prices, Jan. 1 to April 18, 1956	High	Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Apr. 11, 1956	Price, Apr. 18, 1956	Yield, Apr. 18, 1956 %
8 1/2	97	97	Funding 2 1/2% '52-57	97 1/2	98 1/2	2 18 9	4 9 7	85/6	64/-	8 1/2	8 1/2	7 1/2	75/9	81/3	4 13
9 1/2	98 1/2	98 1/2	War Bonds 2 1/2% '54-56	99 1/2	99 1/2	3 4 1	4 17 4	13/-	9/4	10 1/2	10 1/2	10 1/2	11/-	11/6	6 1
9 3/4	99 1/4	99 1/4	War Loan 3% '55-59	99 1/4	99 1/4	3 8 1	4 14 7	33/10 1/2	28/-	8 1/2	8 1/2	8 1/2	31/6	32/3	4 19
9 1/2	98 1/2	98 1/2	Exchequer 5% 1957	100 1/2	100 1/2	2 10 9	4 17 8	53/7 1/2	40/-	20 1/2	20 1/2	20 1/2	46/-	51/6	3 17
9 1/2	97 1/2	97 1/2	Conversion 4% '57-58	97 1/2	98 1/2	2 16 10	4 16 10	54/6	41/6	15 1/2	15 1/2	15 1/2	50/-	52/6	4 0
7 1/2	95 1/2	95 1/2	Serial Funding 2 1/2% 1957	96 1/2	97 1/2	3 4 6	4 3 2	75/-	61/-	5 1/2	5 1/2	5 1/2	69/3	70/3	4 19
3 1/2	91 1/2	91 1/2	Conv. 2% 1958-59	92 1/2	93 1/2	3 11 7	4 11 0	46/10 1/2	39/-	4 1/2	4 1/2	4 1/2	43/6	44/3	5 8
1 1/2	88 1/2	88 1/2	Exchequer 2% 1960	90 1/2	91 1/2	3 11 0	4 9 9	56/9	46/6	3 1/2	3 1/2	3 1/2	54/4	55/-	5 1
4 1/2	92 1/2	92 1/2	Exchequer 3% 1960	93 1/2	94 1/2	3 6 1	4 13 5	49/9	40/6	4 1/2	4 1/2	4 1/2	44/3	44/6	5 12
8 1/2	97 1/2	97 1/2	Savings Bonds 3% '55-65	98 1/2	99 1/2	3 12 7	5 1 2	42/3	32/4 1/2	2 1/2	2 1/2	2 1/2	38/9	41/9	4 15
1 1/2	88 1/2	88 1/2	Funding 2 1/2% '56-61	89 1/2	90 1/2	3 10 0	4 12 6	24/6	19/10 1/2	4 1/2	4 1/2	4 1/2	22/9	23/9	8 8
2 1/2	87 1/2	87 1/2	Funding 3% '59-69	88 1/2	89 1/2	3 13 0	5 2 1	23/7 1/2	19/10 1/2	4 1/2	4 1/2	4 1/2	21/3	22/-	9 1
2 1/2	87 1/2	87 1/2	Funding 4% '60-90	88 1/2	89 1/2	3 11 1	7 7 3	25/10 1/2	21/9	6 1/2	6 1/2	6 1/2	22/9	24/6	7 2
1 1/2	86 1/2	86 1/2	Savings Bonds 3% '60-70	87 1/2	88 1/2	3 12 8	5 2 5	44/-	35/9	6 1/2	6 1/2	6 1/2	39/9	40/6	4 18
1 1/2	88 1/2	88 1/2	Exchequer 3% '62-63	89 1/2	90 1/2	3 8 7	4 17 4	21/3	16/6	7 1/2	7 1/2	7 1/2	17/-	17/6	14 5
6 1/2	93 1/2	93 1/2	Exchequer 2 1/2% '63-64	94 1/2	95 1/2	3 12 5	4 15 6	30/-	25/3	5 1/2	5 1/2	5 1/2	26/6	27/3	9 3
1 1/2	86 1/2	86 1/2	Savings Bonds 2 1/2% '64-67	87 1/2	88 1/2	3 15 10	5 0 1	31/7 1/2	26/9	10 1/2	10 1/2	10 1/2	28/3	28/3	8 17
9 1/2	97 1/2	97 1/2	Savings Bonds 3% '65-75	98 1/2	99 1/2	3 8 3	4 18 9								
6 1/2	93 1/2	93 1/2	Victory 4% '20-76	94 1/2	95 1/2	3 1 3	4 17 7								
3 1/2	88 1/2	88 1/2	Funding 4% '66-68	89 1/2	90 1/2	3 12 11	5 2 4	21/9 1/2	17/7 1/2	6 1/2	6 1/2	6 1/2	19/9	21/-	4 15
8 1/2	97 1/2	97 1/2	Conv. 3 1/2% 1969	98 1/2	99 1/2	3 8 7	5 1 8	9/3	6/10 1/2	4 1/2	4 1/2	4 1/2	7/6	7/9	8 1
3 1/2	88 1/2	88 1/2	Treas. 3 1/2% '77-80	89 1/2	90 1/2	3 2 11	4 17 10 1/2	44/3	32/6	2 1/2	2 1/2	2 1/2	33/1 1/2	33/9	4 8
4 1/2	92 1/2	92 1/2	Treas. 3 1/2% '79-81	93 1/2	94 1/2	3 2 8	4 17 3	40/4 1/2	32/1 1/2	5 1/2	5 1/2	5 1/2	36/9	39/9	4 8
1 1/2	86 1/2	86 1/2	Redemption 3% '86-96	87 1/2	88 1/2	3 0 6	4 13 6	46/6	38/3	10 1/2	10 1/2	10 1/2	43/9	45/-	5 11
4 1/2	92 1/2	92 1/2	Funding 3 1/2% 1999-2004	93 1/2	94 1/2	2 16 2	4 12 1	115/10 1/2	85/6	5 1/2	5 1/2	5 1/2	96/3	96/3	3 12
7 1/2	95 1/2	95 1/2	Consols 4% att. Feb. '57	96 1/2	97 1/2	2 17 1	4 19 8								
7 1/2	95 1/2	95 1/2	War L'n 3 1/2% att. Dec. '52	96 1/2	97 1/2	2 14 3	4 15 1	18/10 1/2	14/6	17 1/2	17 1/2	17 1/2	16/9	17/6	3 18
6 1/2	93 1/2	93 1/2	Conv. 3 1/2% att. April '61	94 1/2	95 1/2	2 15 5	4 16 7	35/10 1/2	29/-	20 1/2	20 1/2	20 1/2	32/9	33/9	7 17
6 1/2	93 1/2	93 1/2	Treas. 3% att. April '66	94 1/2	95 1/2	2 14 1	4 14 1	39/3	32/9	45 1/2	45 1/2	45 1/2	41/-	38/-	3 11
6 1/2	93 1/2	93 1/2	Consols 2 1/2% att. April '75	94 1/2	95 1/2	2 12 9	4 11 10 1/2	70/1 1/2	57/10 1/2	30 1/2	30 1/2	30 1/2	64/-	66/6	3 11
8 1/2	97 1/2	97 1/2	Br. Elec. 4 1/2% '67-69	98 1/2	99 1/2	2 13 1	4 12 5	25/6	19/1 1/2	25 1/2	25 1/2	25 1/2	21/6	22/-	7 7
9 1/2	98 1/2	98 1/2	Br. Elec. 3 1/2% '68-73	99 1/2	100 1/2	3 2 9	5 3 2	64/10 1/2	56/-	20 1/2	20 1/2	20 1/2	59/-	60/9	4 13
9 1/2	98 1/2	98 1/2	Br. Elec. 3 1/2% '74-77	99 1/2	100 1/2	3 10 6	5 0 5								
8 1/2	97 1/2	97 1/2	Br. Elec. 4 1/2% '74-79	98 1/2	99 1/2	3 3 7	4 17 6								
7 1/2	95 1/2	95 1/2	Br. Gas 4% '69-72	96 1/2	97 1/2	3 5 3	5 2 8	151/10 1/2	129/-	15 1/2	15 1/2	15 1/2	146/3	150/7 1/2	2 10
7 1/2	95 1/2	95 1/2	Br. Gas 3 1/2% '69-71	96 1/2	97 1/2	3 7 5	5 0 10 1/2	40/3	31/10 1/2	15 1/2	15 1/2	15 1/2	36/6	40/-	3 18
3 1/2	88 1/2	88 1/2	Br. Gas 3% '90-95	89 1/2	90 1/2	3 0 2	4 12 8								
3 1/2	88 1/2	88 1/2	Br. Trans. 3% '68-73	89 1/2	90 1/2	3 10 6	5 0 5	33/9	28/6						
0 1/2	85 1/2	85 1/2	Br. Trans. 4% '72-77	86 1/2	87 1/2	3 1 9	4 19 8	27/-	23/3	2 1/2	2 1/2	2 1/2	26/-	26/-	7 13
0 1/2	85 1/2	85 1/2	Br. Trans. 3% '78-88	86 1/2	87 1/2	3 3 3	4 15 11 1/2	35/9	29/-	2 1/2	2 1/2	2 1/2	30/-	31/-	5 3
7 1/2	95 1/2	95 1/2	Br. Trans. 3% '88-88	96 1/2	97 1/2	3 3 3	4 15 11 1/2								

* Ex dividend. † Tax free. Gross yield. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 3 1/2%. (e) To earliest date. (f) Full yield. (g) On 16%. (h) On 8 1/2%. (i) On 15%. (j) To latest date. (k) On 10%. (l) On 18% tax free. (m) On 12 1/2% tax free. (n) On 6 1/2%. (o) On 13 1/2%. (p) On 9 1/2%. (q) On 14%.

Statistics

The following list shows the most recent date on which each statistical page appeared.			
BRITISH		OVERSEAS	
Prices and Wages.....	April 7th	Western Europe : Production and Trade.....	April 7th
Production and Consumption	April 7th	British Commonwealth	April 7th
Manpower.....	This week	Western Europe : Prices and Money Supply	This week
External Trade.....	April 7th	United States	April 7th
Financial Statistics	This week		
Industrial Profits	April 14th	World Trade.....	April 14th

Manpower in Great Britain

	Unit	Monthly averages			1955				1956		
		1953	1954	1955	Jan.	Feb.	Mar.	Dec.	Jan.	Feb.	Mar.
TOTAL MANPOWER (1)											
Working population :	'000s	23,373	23,667	23,912	23,855	23,853	23,823	24,018	24,020	23,990	...
Total	"	15,883	15,974	16,084	16,085	16,080	16,061	16,122	16,141	16,130	...
Men	"	7,490	7,693	7,828	7,770	7,773	7,762	7,896	7,879	7,860	...
Women	"	865	839	803	831	829	824	779	778	776	...
Armed Forces	"	865	839	803	831	829	824	779	778	776	...
Civil employment :	"	22,238	22,604	22,933	22,737	22,746	22,755	22,998	22,988	22,953	...
Total	"	1,087	1,074	1,066	1,027	1,028	1,034	1,012	1,007	1,012	...
Agriculture, forestry and fishing	"	877	867	862	867	867	866	858	861	862	...
Mining and quarrying	"	1,437	1,454	1,486	1,436	1,432	1,438	1,463	1,458	1,440	...
Building and contracting	"	2,664	2,742	2,811	2,792	2,785	2,782	2,869	2,846	2,837	...
Distributive trades	"	1,320	1,326	1,289	1,295	1,293	1,289	1,284	1,284	1,284	...
Public administration	"	8,746	8,976	9,206	9,190	9,200	9,195	9,337	9,350	9,333	...
Manufacturing industries	"	8,746	8,976	9,206	9,190	9,200	9,195	9,337	9,350	9,333	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1954 :	"	- 125	...	+ 190	+ 143	+ 155	+ 162	+ 272	+ 282	...	...
Employees in engineering (2)	"	- 67	...	- 13	+ 26	+ 20	+ 7	+ 10	+ 10	...	...
" " consumer goods industries (3)	"	- 67	...	- 13	+ 26	+ 20	+ 7	+ 10	+ 10	...	...
UNEMPLOYMENT											
By duration :	"	342.0	284.8	232.2	297.8	281.6	269.9	215.6	263.9	275.6	265.5
All durations—total	"	218.2	184.4	146.7	194.7	179.0	173.6	139.0	173.2	186.5	175.9
" " —men	"	123.8	100.4	85.5	103.1	102.6	96.3	76.6	90.7	89.1	89.6
" " —women	"	123.8	100.4	85.5	103.1	102.6	96.3	76.6	90.7	89.1	89.6
Temporary or under 2 weeks—men	"	68.7	58.0	51.5	70.8	54.1	54.0	43.9	62.6	69.7	62.1
" " —women	"	43.9	36.4	36.7	44.5	36.5	34.9	26.7	39.9	34.1	37.7
Over 2 weeks—men	"	96.7	81.7	67.7	74.4	77.0	79.8	58.8	63.3	67.3	72.2
" " —women	"	46.3	37.1	26.5	35.4	36.0	36.3	25.4	28.8	29.0	30.3
By industry (4) :	"	1.4	0.9	1.6	1.1	1.1	1.4	1.0	1.1	1.3	1.5
Textiles	%	1.4	0.9	1.6	1.1	1.1	1.4	1.0	1.1	1.3	1.5
Clothing	"	1.3	1.3	0.9	1.3	1.0	0.9	0.9	1.0	0.9	0.9
Vehicles	"	0.8	0.6	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.5
Engineering, etc.	"	1.4	1.1	0.8	1.0	0.9	0.9	0.7	0.8	0.8	0.9
Coal-mining	"	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Distributive trades	"	1.5	1.3	1.0	1.3	1.3	1.2	0.8	1.1	1.1	1.1
By regions (4) :	"	1.6	1.3	1.1	1.4	1.3	1.3	1.0	1.2	1.3	1.2
Great Britain	"	1.2	1.0	0.7	1.0	0.9	0.8	0.6	0.8	0.9	0.9
London and South Eastern	"	1.3	1.2	0.9	1.3	1.3	1.3	0.9	1.1	1.6	1.2
Eastern	"	1.4	1.1	0.9	1.2	1.1	1.0	0.9	1.0	1.1	1.0
Southern	"	1.6	1.5	1.2	1.6	1.5	1.4	1.3	1.4	1.4	1.4
South Western	"	1.1	0.6	0.5	0.5	0.5	0.5	0.4	0.6	0.6	0.7
Midland	"	0.7	0.6	0.5	0.7	0.7	0.7	0.5	0.6	0.7	0.7
North Midland	"	1.2	0.9	0.7	0.9	0.8	0.8	0.6	0.8	0.8	0.8
East and West Ridings	"	2.1	1.6	1.4	1.4	1.4	1.4	1.1	1.4	1.4	1.5
North Western	"	2.4	2.2	1.8	2.5	2.2	2.3	1.5	1.9	1.9	1.7
Northern	"	3.1	2.8	2.4	3.0	2.9	2.8	2.3	2.7	2.7	2.6
Scotland	"	3.0	2.5	1.8	2.6	2.3	2.1	1.7	1.9	2.0	2.0
Wales	"	3.0	2.5	1.8	2.6	2.3	2.1	1.7	1.9	2.0	2.0
VACANCIES											
Unfilled vacancies notified to Employment Exchanges :	'000s	270	338	382	338	352	371	382	373	368	...
Total	"	147	191	214	189	199	207	214	207	204	...
Men	"	123	147	168	149	153	164	168	166	164	...
Women	"	123	147	168	149	153	164	168	166	164	...
DISPUTES (4)											
Workers involved	"	114	37	85	31	46	52	15	27	96	...
Working days lost :	"	182	205	316	91	155	145	116	82	190	...
Total	"	33	39	93	41	103	49	14	24	38	...
Mining and quarrying	"	127	62	57	28	22	23	98	45	48	...
Engineering, etc.	"	22	104	166	22	30	73	4	13	104	...
Other industries and services	"	22	104	166	22	30	73	4	13	104	...

Prices and Money Supply in Western Europe

Note: Index numbers in this table are now changed to 1953=100.

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
WHOLESALE PRICES ⁽¹⁾ (1953 = 100)												
1948	42	94	74	65	90	...	...	104	75	66	72	94
1954	105	99	100	98	98	112	106	101	101	101	100	111
1955	108	101	103	98	101	120	110	101	102	102	104	119
1955, October	108	101	105	99	101	123	110	101	102	102	105	120
November	107	101	105	99	101	123	111	102	102	102	106	125
December	106	102	106	100	101	125	111	102	102	103	107	128
1956, January	106	103	105	100	102	126	...	103	...	103	108	...
February	108	...	106	103	...	...	...	...	...	104	...	...

COST OF LIVING ⁽¹⁾ (1953 = 100)												
1948	50	95	81	60	93	63	79	86	77	74	77	89
1954	103	101	101	100	100	115	100	103	104	105	101	110
1955	105	101	107	101	102	122	103	106	106	106	104	119
1955, October	107	102	109	102	103	124	...	106	106	106	106	124
November	107	102	...	102	104	124	105	106	106	106	107	128
December	107	102	...	102	104	125	...	107	106	106	107	130
1956, January	107	102	110	102	104	125	...	...	106	106	107	...
February	...	102	...	103	...	...	...	...	...	...	...	...

IMPORT PRICES ⁽¹⁾ (1953 = 100)												
1948	37	84	84	59	...	...	83	98	85	80	72	113
1954	96	96	97	98	96	...	101	100	95	98	99	104
1955	94	...	98	97	100	...	105	...	97	100	99	100
1955, September	92	97	99	98	102	...	103	102	96	100	99	98
October	94	98	...	98	102	...	106	101	96	101	101	118
November	94	97	97	98	101	...	107	102	96	101	101	102
December	94	...	...	...	100	...	105	...	95	105	...	115
1956, January	98	...	...	...	101	...	...	...	102	...	...	...

EXPORT PRICES ⁽¹⁾ (1953 = 100)												
1948	42	95	91	68	...	...	79	103	96	84	76	91
1954	99	94	99	95	96	...	98	100	99	99	98	97
1955	101	...	100	95	98	...	102	...	101	107	102	111
1955, September	101	99	97	96	97	...	102	101	102	108	102	108
October	99	99	106	94	97	...	102	101	102	107	105	112
November	100	100	...	...	99	...	103	102	102	107	105	112
December	96	...	...	...	99	...	102	...	104	115	...	116
1956, January	100	...	...	...	99	...	...	...	...	114	...	...

TOTAL MONEY SUPPLY ⁽¹⁾												
End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras
1948	...	154.0	7,110	2,165	11.48	1,922	110.3	1,989	7,385	6,937	7.67	1,715
1954	28.26	187.3	7,369	5,266	26.41	8.94	152.2	4,036	9,172	9,162	11.09	3,869
1955	28.96	...	7,433	...	29.07	...	154.7	...	9,967	9,353	11.13	...
1955, September	29.95	191.6	7,108	5,611	27.11	10.93	152.1	4,174	9,719	9,250	10.32	...
October	29.87	...	7,165	5,676	27.51	...	158.7	...	9,816	9,237	10.53	...
November	29.01	...	7,406	5,736	27.70	...	153.6	...	9,960	9,180	10.51	...
December	28.96	...	7,433	...	29.07	...	154.7	...	9,967	9,353	11.13	...
1956, January	28.22	...	7,192	...	...	...	153.8	...	...	9,188	10.64	...

GOLD AND FOREIGN EXCHANGE HOLDINGS ⁽¹⁾ (mn. US Dollars)												
1948	62	938	84.0	...	295	6.2	209	539	343	118.4	165	192
1954	412	1,046	143.4	1,369	2,682	10.8	260	1,041	1,276	122.4	385	206
1955	357	1,146	133.1	2,120	3,121	...	242	...	1,284	165.3	348	211
1955, October	382	1,146	125.0	2,126	3,003	10.9	238	1,242	1,258	166.7	361	207
November	371	1,156	134.3	2,133	3,051	10.9	240	1,238	1,270	164.0	350	207
December	357	1,146	133.1	2,120	3,121	...	242	...	1,284	165.3	348	211
1956, January	351	1,178	138.4	2,058	3,158	...	225	...	1,305	161.2	342	...
February	351	1,177	138.1	...	...	...	225	...	1,309	159.5	344	...

(¹) Relates to wholesale prices in Athens and Piraeus only for Greece. Figures for Ireland are based on January, 1952-100. (²) July-December. (³) Relates to prices in capital cities only for Austria, France, Greece and Turkey. Belgium excludes rent. Denmark includes direct taxes. Figures for Ireland are based on August, 1955-100. (⁴) Excluding rent. (⁵) Including direct taxes. (⁶) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. (⁷) Deposit money and notes and coin held by business, individuals and foreigners. Except for Greece holdings of the issuing authority and other banks are excluded. (⁸) Holdings of the government and central bank at end of period; figures for Greece are gold reserves only. (⁹) Beginning May, 1954, a new drachma equal to 1,000 old drachmas introduced. (¹⁰) Including some long-term securities. (¹¹) Average for third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended April 14th, 1956, there was an "above-line" deficit (after allowing for Sinking Funds) of £30,379,000 compared with a surplus of £6,212,000 in the previous week and a deficit of £40,357,000 in the corresponding period of last year. Net receipts "below-line" reached £11,173,000, bringing the total cumulative deficit to £19,206,000 (£36,356,000 in 1955-56).

'000	Estimate, 1956-57	April 1, 1955 to April 16, 1955	April 1, 1956 to April 14, 1956	Week ended April 16, 1955	Week ended April 14, 1956
Ord. Revenue					
Income Tax	2102,000	49,434	53,701	16,217	22,327
Surtax	144,000	5,500	7,000	1,200	2,400
Death Duties	170,000	7,800	7,300	2,900	3,900
Stamps	63,000	3,200	1,900	1,100	1,100
Profits Tax, E.P.T.	216,000	9,300	7,200	3,000	1,900
Excise Profits Levy	4,000	3,400	700	400	500
Special Contribution and other	1,000	...	...	...	...
Inland Revenue	...	...	...	...	...
Total Inland Rev.	2700,000	78,634	77,801	24,817	32,127
Customs	1177,000	41,923	41,569	17,100	21,923
Excise	953,000	15,210	11,595	5,865	5,655
Total Customs and Excise	2130,000	57,133	53,154	20,965	27,578
Motor Duties	92,000	4,840	5,223	2,104	1,943
NO (Net Receipts)	10,000	...	...	...	...
Broadcast Licences	28,000	...	...	...	76
Sundry Loans	30,000	54	128	...	679
Miscellaneous	200,000	6,363	7,040	446	...
Total	5100,000	147,084	143,348	48,338	62,403
Ord. Expenditure					
Debt Interest	670,000	51,078	33,706	23,314	6,542
Payments to N. Ireland Exchequer	61,000	1,747	2,007	...	300
Other Const. Fund.	10,000	...	...	...	...
Supply Services	3980,000	158,100	131,550	65,150	65,800
Total	4721,000	210,930	167,263	88,460	72,642
Sinking Funds	37,000	434	250	220	140
"Above-line" Surplus or Deficit	64,340	34,167	40,357	30,379	30,379
"Below-line" Net Expenditure	16,037	8,047	4,001	11,173	11,173
Total Surplus or Deficit	80,377	16,120	36,356	19,206	19,206
Net Receipts from:					
Tax Reserve Certificates	11,448	8,328	1285	327	327
Savings Certificates	3,000	2,000	600	700	700
Defence Bonds	1,033	4,924	625	3302	3302

FLOATING DEBT

(£ million)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1955					
16	3,220.0	1,830.5	269.8	...	5,320.3
1956					
4	3,430.0	2,007.3	254.8	...	5,692.1
21	3,390.0	1,998.8	253.8	...	5,642.6
28	3,340.0	1,994.6	236.7	...	5,571.4
5	3,280.0	1,965.4	205.0	...	5,450.4
11	3,280.0	1,875.4	219.2	...	5,375.6
18	3,270.0	1,872.6	234.9	...	5,377.5
25	3,220.0	1,886.7	246.8	...	5,353.5
2	3,210.0	1,908.9	243.0	...	5,361.9
9	3,210.0	1,594.3	254.9	...	5,059.2
16	3,210.0	1,624.2	254.4	...	5,088.6
23	3,230.0	1,561.8	315.2	...	5,107.0
30	3,220.0	1,568.0	294.6	...	5,082.6
7	3,240.0	1,561.2	277.7	...	5,078.9
14	3,260.0	1,575.5	270.4	...	5,105.9

THE MONEY MARKET

The discount market was "in" the Bank on Thursday and Friday before the week-end, though only one or two houses were affected and the amounts involved were very small. On the first three days of this week credit conditions turned comfortable, owing partly to substantial official disbursements. On Monday funds were actually in excessive supply, and the Bank operated "in reverse" by selling bills. Even on Wednesday, the make-up day for the clearing banks, market supplies of credit were still easily adequate. Dealings in bills have been considerable; the prevailing rate has been around 5 per cent, but some May maturities have changed hands at 4½ per cent.

Despite the momentary stringency in credit supplies, and despite the increase in the re-discount rates of the Federal Reserve Banks, the discount houses raised their bid by 3d. to £98 14s. 5d. per cent at the Treasury bill tender on Friday last. This involved a reduction of approximately 3/64 per cent in their discount rate, to 5½ per cent. The action was prompted by the sharp fall in the amount of bills on offer, from £280 million to £240 million; and as total applications dropped by £27 million to £281.3 million, the market succeeded in raising its allotment from 58 to 60 per cent. At yesterday's tender the offer was cut by a further £10 million.

The Bank return shows a further post-Easter reflux of notes, of £8.0 million.

LONDON MONEY RATES

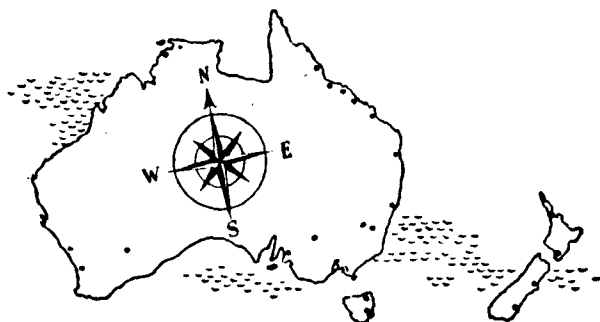
Bank rate (from 4½%, 16/2/56)		Discount rates	
Deposits (max)	3½	Bank bills: 60 days	5½-5¾
Banks	3½	3 months	5½-5¾
Discount houses	3½	6 months	5½-5¾
Money Day-to-day	3-4½	Fine trade bills:	
Short periods	3-4½	3 months	6-6½
Treas. bills 2 months	5½	6 months	6-6½
3 months	5½	6 months	6-7

* Call money.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates : Spot					
	April 18	April 12	April 13	April 14	April 16	April 17	April 18
United States \$...	2-78-2-82	2-80-1-2-80 1/2	2-80 1/2-2-80 1/2	2-80 1/2-2-80 1/2	2-80 1/2-2-80 1/2	2-80 1/2-2-81	2-81-2-81 1/2
Canadian \$.....		2-80 1/2-2-80 1/2	2-80 1/2-2-80 1/2	2-80 1/2-2-80 1/2	2-80 1/2-2-80 1/2	2-80 1/2-2-80 1/2	2-80 1/2-2-80 1/2
French Fr.....	972-65-987-35	985-985	985-985	985-985	985-985	985-985	985-985
Swiss Fr.....	12-15 1/2-12-33 1/2	12-26 1/2-12-26 1/2	12-26 1/2-12-26 1/2	12-26 1/2-12-26 1/2	12-26 1/2-12-26 1/2	12-26 1/2-12-27	12-27 1/2-12-27 1/2
Belgian Fr.....	138-95	139-67 1/2	139-65	139-67 1/2	139-65	139-67 1/2	139-70
	141-05	139-72 1/2	139-70	139-72 1/2	139-70	139-72 1/2	139-71
Dutch Gld.....	10-56-10-72	10-64 1/2-10-65	10-64 1/2-10-65	10-64 1/2-10-64 1/2	10-64 1/2-10-64 1/2	10-64 1/2-10-64 1/2	10-65 1/2-10-65 1/2
W. Ger. D-Mk.....	11-67 1/2-11-84 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	11-73 1/2-11-73 1/2	11-74 1/2-11-74 1/2	11-74 1/2-11-74 1/2
Portuguese Esc.....	79-90-81-80	80-10-80-25	80-10-80-25	80-10-80-25	80-10-80-25	80-20-80-35	80-20-80-35
Italian Lire.....	17365-17824	1756-1756 1/2	1754-1755 1/2	1754-1755 1/2	1754-1754 1/2	1752-1753	1754-1755 1/2
Swedish Kr.....	14-37 1/2-14-59 1/2	14-54 1/2-14-54 1/2	14-54 1/2-14-54 1/2	14-54 1/2-14-54 1/2	14-54 1/2-14-54 1/2	14-55-14-55 1/2	14-55-14-55 1/2
Danish Kr.....	19-19 1/2-19-48 1/2	19-37 1/2-19-37 1/2	19-37 1/2-19-37 1/2	19-37 1/2-19-37 1/2	19-37 1/2-19-37 1/2	19-37 1/2-19-38 1/2	19-38 1/2-19-38 1/2
Norwegian Kr.....	19-85-20-15	20-01-20-01 1/2	20-01-20-01 1/2	20-01-20-01 1/2	20-01-20-01 1/2	20-01-20-01 1/2	20-01-20-01 1/2
One Month Forward Rates							
United States \$	1-1 c. pm	1-1 c. pm	1-1 c. pm	1-1 c. pm	1-1 c. pm	1-1 c. pm	1-1 c. pm
Canadian \$	1-1 c. pm	1-1 c. pm	1-1 c. pm	1-1 c. pm	1-1 c. pm	1-1 c. pm	1-1 c. pm
French Fr.	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par
Swiss Fr.	3-24 c. pm	3-24 c. pm	3-24 c. pm	3-24 c. pm	3-24 c. pm	3-24 c. pm	3-24 c. 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.	2-1 1/2 c. pm	2-1 1/2 c. pm	2-1 1/2 c. pm	2-1 1/2 c. pm	2-1 1/2 c. pm	2-1 1/2 c. pm	2-1 1/2 c. pm
W. Ger. D-Mk.	1 1/2-lpf. pm	1 1/2-lpf. pm	1 1/2-lpf. pm	1 1/2-lpf. pm	1 1/2-lpf. pm	1 1/2-lpf. pm	1 1/2-lpf. pm
Italian Lire	3-1 pm	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-2 dis	2 pm-2 dis
Swedish Kr.	4-30 pm	4-30 pm	4-30 pm	4-30 pm	4-30 pm	4-30 pm	4-30 pm
Danish Kr.	5-20 pm	5-20 pm	5-20 pm	5-20 pm	5-20 pm	5-20 pm	5-20 pm
Norwegian Kr.	20 pm-par	30 pm-par	30 pm-par	30 pm-par	20 pm-par	20 pm-par	20 pm-par
Gold Price at Fixing							
Price (s. d. per fine oz.)	249/1 1/2	249/2	...	249/1 1/2	249/1	249/0 1/2	249/0 1/2

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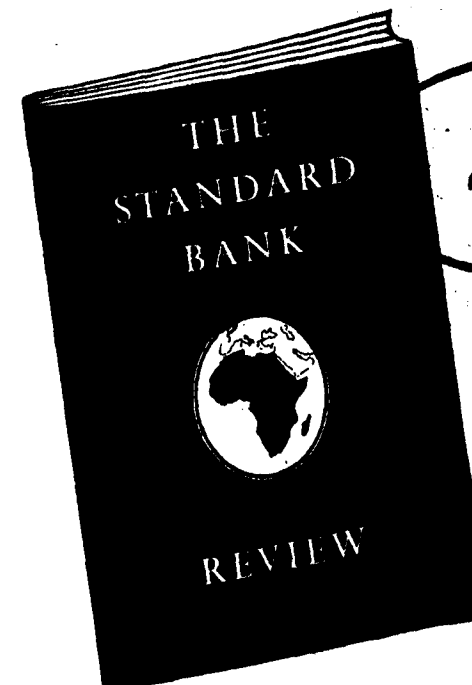
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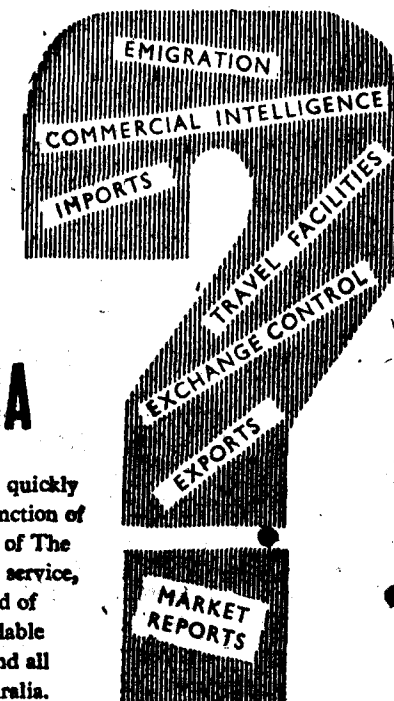
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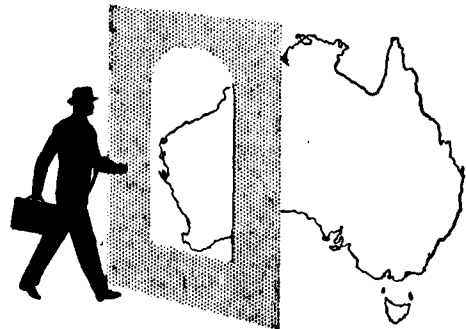
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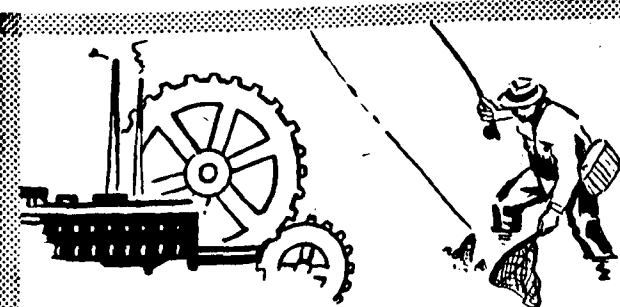
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From the Chairman's Statement presented with the Annual Accounts — March 1956



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THE STANDARD LIFE ASSURANCE COMPANY BONUS ANNOUNCEMENT

The rate of bonus on full reversionary bonus policies for each year of the three year period ending 15th November 1955 is

42¹/₂%

on the sum assured and attaching bonuses
plus an additional

42¹/₂%

on bonuses attaching prior to the present declaration
Intermediate bonus at same rates

At this rate of bonus the face value of a policy would increase by more than 50% in 18 years.

THE STANDARD
LIFE ASSURANCE COMPANY
Head Office: 3, George Street, Edinburgh.

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

Shares that do not depreciate

3¹⁰/₄%

INCOME
TAX PAID

SUBSCRIPTION
SHARES

For small sums of 5/- and upwards at any time. On reaching £25 a paid-up share is issued and the subscription share is kept open for further investments.

PAID-UP SHARES

3%

INCOME
TAX PAID

Paid-up Shares are issued in multiples of £25. The Lambeth Building Society's shares bought at their face value are repaid at their face value. They are not subject to any fluctuation whatsoever. In addition there are the following advantages.

- No stamp duty, commission or other charges.
- Income Tax paid by the Society.
- Security of over 100 years standing.
- Prompt and easy withdrawal.

These shares give a return equivalent to £5.13.1d. per cent, and £5.4.4d. per cent respectively, subject to Income Tax at 8/6 in the £.

The Secretary will be pleased to send you full particulars:

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COMPANY MEETINGS

NATIONAL PROVIDENT INSTITUTION

IMPROVED INVESTMENT YIELD

INCREASED INTERIM BONUSES

The One Hundred and Twentieth Annual Meeting of the National Provident Institution was held on April 17th at 48, Gracechurch Street, London, E.C.

The following is an extract from the address which was submitted by the chairman, Mr L. E. D. Bevan:

Before I refer to our business activities during the year I wish to comment upon the resignation from the Board of Mr Vincent Wodehouse Yorke, to which brief reference is made in the Annual Report. It is a matter of great regret to all of us, Directors and Staff alike, that he should feel it necessary, through uncertain health, to retire.

Mr Yorke came to us 50 years ago, and during this long period his services to the Institution and its policyholders have been outstanding. Some men who have succeeded to or have built up family businesses can record longer periods of service to their businesses—indeed I think that Mr Yorke himself is an example of that—but 50 years is a long time in the active and continuous directorship of any public company. His great ability and remarkable business sense have always been evident at our Board Meetings, and the staff of the Institution at Head Office and throughout the country have greatly appreciated his keen and personal interest in both their work and their welfare.

Mr Yorke was elected Chairman of the Board in 1943, and it was under his guidance during the 10 years that followed (including the immediate postwar period with its many problems) that the Institution's business experienced quite a striking development. The District Staff was increased, and new business grew steadily from £670,000 (a low wartime figure) to more than £5 million. It was also with Mr Yorke's encouragement that investment in ordinary shares, which had been quietly begun a little earlier, was recognised to be desirable and was expanded in the interests of our members. They have had the satisfaction already of seeing that policy reflected in steadily increasing rates of interest earned on their funds, and in the very attractive bonuses declared on their policies. We salute an old and valued friend whose name will be honoured by all of us for many years to come.

Mr Sylvester Gates and Sir Hugh Gurney, the retiring Directors, have I am glad to say agreed to offer themselves for re-election and proposals will be submitted to you in general meeting in the usual way.

Our new business made a big stride forward in 1954, exceeding the 1953 figure by more than 40 per cent, partly due to certain large staff pension schemes completed in 1954, so that it is not altogether surprising that the 1955 figure at £6,350,000 net should fall short of the previous year.

Those who entrust their life assurance to us have had further proof of the soundness of their choice in the excellent rates of bonus which we declared a year ago, and in the increased rates of Interim Bonus which were announced in March this year. This latter decision was taken after considering the valuation which we make each year for internal purposes, and, needless to say, was taken after satisfying ourselves on the strength of our financial position.

The undernoted rates of bonus will apply to policies maturing by death or by survival on and after March 1, 1956, until further notice, in respect of full profit premiums falling due after December 31, 1954.

Type of Policy, Full Profits	Annual Rate of Interim Bonus
Endowment Assurance maturing as at age:—	£ s. d.
50 and below.....	2 5 0
55.....	2 7 6
60.....	2 10 0
65.....	2 15 0
70 and above.....	3 0 0
Whole Life Assurance.....	3 2 6

ENDOWMENT BONUS POLICY

The outstanding rate of bonus in the case of Whole Life Assurances renders even more attractive the special form of policy which we issue as the Endowment Bonus Policy. Very briefly, this is a Whole Life Assurance with bonuses payable in cash at a chosen age—for example, at the age of intended retirement. After that age, the policy remains in force as a paid-up non-profit whole life assurance for the full sum assured, and consequently no further premiums are payable.

This is essentially a form of assurance selected by the far-sighted man who realises that however long his life may be there will remain with him a need to provide life assurance protection for his dependants. Acknowledgment of this fact is often clouded by the need to provide capital for his own later years, but with this policy he can satisfactorily meet both requirements, and the bonuses accrue at the full Whole Life Assurance rate.

The further attractions of this policy will be apparent when I tell you that for many ages and terms the bonus payment made on reaching the Endowment age may represent the major part, if not the whole, of the cost of the policy, leaving a paid-up Whole Life Assurance in force at very little, if any, net cost. This policy has proved consistently popular over the years, and I confidently bring it to the attention of those of our Members and connections who are not yet acquainted with it.

INVESTMENT OF FUNDS

The Life Assurance and Annuity Fund has grown by £2,125,876 in the course of 1955, and during the latter part of the year particularly investment yields have been improving. We have increased our holdings of mortgages quite appreciably on satisfactory terms and we have also taken the opportunity to increase our portfolio of ordinary shares. I referred at some length to our investment policy in my Address to you a year ago; the same considerations continue to apply.

In general terms the change in investment conditions during 1955 has shown itself in a fall in the market value of fixed interest securities, and in a maintenance of the index figure for ordinary shares or even an increase

in the market value of certain sections of ordinary shares in which, I am pleased to say, we have an important interest. The effect on our funds has been to cause a depreciation in the market value of some of our assets during the year, but in the aggregate the total market value at the end of 1955 was well in excess of the Balance Sheet value.

The rates of interest earned on the Funds, as shown in the Report, are £6 18s. 11d. per cent gross and £5 6s. 0d. per cent net, after deduction of Income Tax. Notwithstanding the fact that these rates are calculated on the written down value of our assets, they are outstanding—even among other Life Offices which also adopt, as we believe, a vigorous and enterprising investment policy.

CURRENT CONDITIONS

The higher interest rates now ruling are associated with the restriction on credit inspired as a matter of Government policy as a curb on inflation—a world problem of which we in Great Britain are burdened with an uncomfortably large share. Inflation and brimfull employment lead to demands for higher wages which in turn lead to higher prices for manufactured goods and services. This has an adverse effect on our exports since our prices become less competitive in foreign markets, making it more difficult to maintain our Balance of Payments position.

This Balance can no longer be supported by overseas investments readily jettisoned whilst the few were defending the many; proper reserves can only be regained by hard work, new methods and a determination to increase private savings, thus cutting down the heavy drain arising through inflated imports.

The Institution serves as one of the means by which the savings of the individual reach the stage of productive investment. Our policy of investing a substantial proportion of the policyholder's funds in ordinary shares is, we feel sure, the right one; it has certainly brought its reward by way of increased income.

Whilst any degree of inflation continues the results of a with-profit policy with the Institution should go some way, through better bonuses, to sustain the real value of the policyholder's investment.

In my statement last year I referred to the problem of death duties and expressed the hope that before long the Chancellor would introduce some convenient means whereby a prudent man could make provision for these during his lifetime by means of a series of payments. I suggested that this might be done by way of "Duty Reserve Certificates" under a system which I described as "Pay as you live," also having in mind that a special type of Life Policy in favour of the Revenue could be so drawn as to qualify for the exemption from duty that I had in mind.

It was therefore with some satisfaction that I heard that the Minister of Finance in South Africa had granted a valuable concession in the exemption from Estate Duty of sums assured and bonuses thereon up to £5,000 in any estate. This seems to be a first step in the right direction of making it

conveniently possible for a testator to defend his family and perhaps also his business and employees from the depredations of the Revenue at a moment of melancholy and bereavement.

If we could only replace the so-called Squeeze with a Savings Surge how many other problems would fall into their place! But before this can be expected on any but patriotic grounds a man must see his way clear to passing on reasonably intact the fruits of his labours to those for whom he is labouring, surely a reasonable enough ambition. In these circumstances, moreover, it would not be long before we were found to be exercising restraint in spending and thus withdrawing from competitive buying at inflationary prices. But first of all there is the paramount duty of those responsible for the expenditure of the tax-payers' money to give a positive and significant lead.

The recent announcement by the Chancellor of the Exchequer of some restriction upon capital expenditure in the fields of Government and nationalised industry is a step in the right direction, but we must hope that this lead will be followed by wise and courageous action in other directions. Failing such action it is difficult to see how

even the present standard of living can be sustained, to say nothing of the further benefits credited as being within our grasp.

PROFESSIONAL ADVISERS

I would like to take the opportunity of recording the importance we attach to the advice we receive each week from our professional advisers, Mr Alan Melville of Messrs Druces and Attlee, our Solicitor, and Dr East, our Chief Medical Officer, supported by Dr Harman and Dr Seward.

I would mention particularly the regular attendances of the doctors to guide us in our underwriting of proposals for life assurance. We have always regarded the proper selection of lives as important—and the experience and knowledge of our medical officers is most helpful to us. We are grateful also to our Surveyors, Mr Skelt and Mr Weaver, for the advice and guidance which they give in connection with our varied property problems, and to our Auditors, Mr Cash and Mr Mearns, for the work that they do on behalf of our Members.

Throughout another year of great activity our Staff have done excellent work, and it is

with much pleasure that I record the Board's thanks to them all, but particularly to the senior members who in charge of branches or of departments carry a special responsibility. I am glad to say that during the year these thanks were expressed in practical form by the consolidation into salary of certain cost of living payments, thus making them rank for pension purposes, and also by the improvement of certain benefits under the Staff Superannuation Fund. As a consequence the Directors decided to make a special payment of £50,000 into that Fund, as will be seen in the accounts, although they do not intend otherwise to change their practice of making triennial, rather than annual, payments into the Fund. I am confident that policyholders will approve of these steps taken in recognition of excellent service rendered and in an endeavour, to some extent at least, to ensure that our Staff do not fail to reach a standard of living which they have surely earned. We are most fortunate in the proprietary interest which the Staff take in the conduct of all our affairs which makes our work together an agreeable partnership in which I consider it to be a special privilege to serve.

The report and accounts were adopted.

THOMAS TILLING LIMITED

The Fifty-ninth Annual General Meeting of Thomas Tilling Limited will be held on May 14th at Crewe House, Curzon Street, London, W.1.

The following is an abridgment of the review by the Chairman, Mr W. Lionel Fraser, CMG, which has been circulated to Stockholders with the report and accounts for the year ended December 31, 1955:

The Group profit before taxation is £2,316,817 (1954, £1,636,901), and after allowing for the interests of minority shareholders, the proportion of this profit attributable to Thomas Tilling Limited is £1,520,859 (1954, £1,013,994). After allowing for taxation, the profit attributable to Thomas Tilling Limited is £712,702, which is an increase of £258,481 over 1954.

Preference Dividends of £42,562 have been paid. An Interim Dividend of 5 per cent on the Ordinary Stock was paid on November 24, 1955, and your Board recommend the payment of a Final Dividend of 10 per cent, making a total of 15 per cent for 1955 (1954, 10 per cent). It was owing to the present delicate economic situation in the country and the consequent desirability, from the national as well as our own point of view, to conserve the resources of the Group, that your Directors decided to recommend no increase in the Dividend on the Ordinary Stock.

After drawing attention to the two Companies in which a majority interest had been purchased during 1955 since the date of his last report, namely Henry Lister & Sons, Limited, 74.09 per cent (manufacturers of flannel and blazer cloths) and Safca Aerosol Manufacturing Limited, 80 per cent (fillers of pressurised packages and manufacturers of Aerosol valves), the Chairman reported on the individual Companies and other interests of the Group. (The figure shown after the name of each Company is the percentage of the equity owned by Thomas Tilling Limited):

John H. Ashton Limited, 40 per cent (mahogany and hardwood merchants); Bagshawe & Company, Limited, 56.67 per cent (manufacturers of conveyors and elevators, mechanical chains and malleable iron castings); British Steam Specialties, Limited, 33.96 per cent (manufacturers and distributors of valves, gauges, etc.); The Brush

Group Limited, 24.26 per cent (manufacturers of electrical equipment and diesel engines); Cornhill Insurance Company Limited, 52.85 per cent; Daimler Hire Limited, 100 per cent; Mark Dawson & Son, Limited, 100 per cent (worsted spinners); Heinemann Holdings Limited, 31.54 per cent (book printers and publishers); Timothy Hird & Sons, Limited, 40 per cent (worsted combers and spinners); Hobourn Aero Components, Limited, 60.185 per cent (manufacturers of light engineering components, textile machinery, electrical convection heaters); E. R. Holloway, Limited, 40 per cent (comb manufacturers, plastic goods, etc.); James A. Jobling & Company, Limited, 60 per cent (manufacturers of "Pyrex" brand glassware); Lime-Sand Mortar Limited, 80.34 per cent (ready-mixed mortar and ready-mixed concrete manufacturers, sand and gravel producers); Mutual Finance Limited, 85.05 per cent (hire purchase finance, brokerage and banking); Newey & Eyre, Limited, 70.50 per cent (industrial electrical engineering supplies); Spray & Burgess, Limited, 60 per cent (dyers and finishers); Stevensons (Dyers) Limited, 25 per cent (hosiery dyers and finishers); Stratstone Limited, 100 per cent (distributors of Daimler and Lanchester cars); F. Troy & Company, Limited, 100 per cent (building and painting contractors); Walton Hosiery Company, Limited, 66.67 per cent (manufacturers of fully fashioned nylon stockings); Western Motor Holdings Limited, 30 per cent (motor car distributors).

Having mentioned the Company's interests in Real Estate, the Chairman then continued: When, only some seven years ago, your Board had the conception of Tillings becoming an Industrial Holding Company, primary emphasis was laid on the vital importance of management of the Companies in which an interest was to be taken. We saw clearly that, if we were given the opportunity to participate in undertakings, directed by men whose thinking was lively, energetic and far-sighted, and if we could imbue them with a family atmosphere, we should be going some way towards achieving our ambition to make the new Tillings a constructive participant in industry. So far we have succeeded in our pursuits, and our Subsidiary and Associated Companies are fascinating and stimulating in their variety and wide in their scope for

growth and development. Our experience has been entirely happy, and we can say that the idea is now out of the experimental stage—it is proven.

Once again we wish to welcome new friends who have joined us since my last report and we promise them our support and encouragement. In the normal course of their expansion, some of our Companies have called upon us for financial assistance, and this has been provided, either in the form of cash advance where the need is not likely to be permanent, or by way of an increase in our participation in their share capital. This must inevitably continue. Indeed it is a measure of the progress of our underlying interests.

In May of last year 2,200,000 Thomas Tilling Limited 5½ per cent Preference Shares of £1 each were offered to Stockholders at par and your Board was gratified at the ready response at a time which was not particularly propitious. The issue was in fact an outstanding success and reflected the confidence felt in your Company's status and prospects. The proceeds of this operation provided us with sufficient funds to meet our immediate needs, but your Board remains prepared to consider the accession of suitable additional Companies to the Group.

This is the Tilling story for the year 1955. But it is the future which we have to face, and in this respect obviously I should be wrong if I did not tender a word of warning. The prospects in the great majority of our Companies appear distinctly encouraging, but these appearances may in the short term be upset by the battle against inflation, the consequences and extent of which cannot now be exactly gauged. We all know that this battle must be won if our country is to continue to prosper, and in Tillings we pledge ourselves to do all in our power to assist the victory, of which we are confident. We cannot tell who will be hit in the process, but it would be unrealistic not to anticipate some wounds. We do not foresee them in our Group, but strange and unexpected things can happen, and it is as well to be on guard.

All I would say now is that our interests are well spread, that our finances are sound, and that, above all, we have first-class men at work for us. These are the elements most needed in testing times and they afford an assurance that, come what may, the Tilling Group will continue well and truly to serve its Stockholders as well as the community.

SWAN, HUNTER, & WIGHAM RICHARDSON, LIMITED

FULL ORDER BOOK

MR J. W. ELLIOTT ON THE YEAR'S EFFICIENT OPERATIONS

The Annual General Meeting of Swan, Hunter, & Wigham Richardson, Limited, will be held on May 8th at the Royal Station Hotel, Newcastle upon Tyne.

The following are extracts from the remarks of Mr J. W. Elliott, CBE, which have been circulated with the report and accounts:

I am glad to present accounts for the year 1955 showing another year of satisfactory trading. The profit, including income from investments of £54,397, and after providing the sum of £315,434 for depreciation of fixed assets, amounts to £2,694,839, which compares with the corresponding figure of £2,725,581 for the previous year. Taxation accounts for £1,097,139 and the net profit of the group is £1,380,100. Your directors recommend that final dividends be declared of 3 per cent, less income tax, on the preference stock and of 11 per cent, less income tax, on the Ordinary stock, making a total distribution for the year of 6 per cent on the Preference stock and of 14 per cent on the Ordinary stock. In the case of the Ordinary stock this represents an increase of 2 per cent on the total distribution for 1954.

Current assets of the Group at December 31, 1955, amount to £16,305,273 and current liabilities to £5,526,034, giving a net current assets figure of £10,779,239.

INCREASED TONNAGE LAUNCHED

The aggregate tonnage of ships launched from the company's yards on Tyne and Clyde in 1955 was 124,828 tons, an increase of 33,151 tons over the output in 1954. The ships launched show the variety of work undertaken in the company's yards and include a passenger liner, *Bergensfjord*, of 17,000 gross tons, an ore carrier of 21,000 gross tons (31,000 tons dw), a troop ship of 20,800 gross tons, a refrigerated cargo ship of 11,151 gross tons, as well as oil tankers and dry cargo ships.

The company's three engine works have been employed to full capacity during the year. The total machinery output from these works was 143,500 IHP and in addition to main machinery contracts a large number of oil-burning installations have been supplied, as well as Bauer Wach low pressure turbines, sundry boilers, and Vulcan couplings.

The company's repairing departments have been fully employed during 1955: 315 ships aggregating 2,417,604 gross tons were docked and repaired, and in addition repairs were carried out afloat to 345 ships of 2,330,007 gross tons, making a total of 4,747,611 gross tons dealt with in our repairing establishments.

FULL EMPLOYMENT

At the present time the company's yards have enough work under construction and on order to provide full employment for the next three years and some of our contracts will extend to 1960. A full order book like this brings in its train difficulties, and one difficulty at the present time is again the question of steel deliveries, which we had hoped had been left behind us. Production at the moment is being hindered by lack of steel, and while the steel industry is doing all it can to help its shipbuilding customers,

there will, I am afraid, be a period when we cannot rely on getting sufficient steel to meet our additional requirements.

The long-term reconstruction and re-equipment of the company's works is making steady progress.

At Wallsend Shipyard a commencement has now been made with the large prefabrication shed I have previously referred to. This we hope will be completed in about 12 months' time. A commencement has been made with laying-out a second new berth with the necessary crane tracks and heavy cranes and this berth, we hope, will also be completed next year. Various other ancillary work is also in hand at Wallsend Shipyard, or preparations are being made to carry it out.

At the Neptune works the scheme of reorganisation referred to a year ago is now in hand. This scheme will completely remodel the Neptune Shipyard. It provides for widening an existing berth and the construction of two new berths. When completed these berths will be fitted with 10- and 40-ton cranes and will be served by new platers' sub-assembly and assembly shops capable of handling units up to 40 tons. The new deep water quay at the Neptune Works, to which I referred last year, about 1,000 ft long, and provided with travelling cranes, will be able to handle four ships at once. New blacksmiths', plumbers' and other shops will enable outfitting to go ahead with the utmost rapidity.

The new large dry dock at the Wallsend Repairing Department is proceeding satisfactorily, although, due to difficulties encountered in construction, which have now been overcome, it is now expected that the dock will not be completed until the end of this year or early 1957. This dock, which will be capable of accommodating tankers up to 45,000 tons deadweight, is now urgently needed. During the past year it was decided to proceed with the construction of a new platers' shed at the dry docks department.

I referred last year to the commencement by Barclay, Curle & Company, Limited of work on their modernisation scheme at Clydeholm Shipyard. A building 520 ft long by 63 ft wide, containing shops for blacksmiths, engineers, and electricians, pump house, workmen's canteen, lavatories, and locker room, is now approaching completion. Certain sections of this building have been in operation for some months with good results. Erection of a boilerhouse is well in hand and foundations for a new joiners' shop are largely completed. Close consideration is now being given to the next stage of the reconstruction plans dealing with prefabrication shops, berths, etc., and this work will be put in hand as soon as possible.

During the year 1955, additions to the fixed assets of the group amounted to £1,147,145.

FURTHER CAPITAL EXPENDITURE

It is estimated that the completion of the work so far authorised at our Tyne works will entail a total further expenditure of about £3 million. The present stage of reconstruction at our Wallsend Yard will be completed about 1959, after which a still further stage will be undertaken. At the Neptune Works, the complete scheme of re-

construction will be completed in about five years' time.

The financing of the various projects throughout the group will make heavy inroads into our liquid resources for some time to come, but it is expected that, so far as can be foreseen, we shall be able to meet the entire cost out of our own funds.

JAS. WILLIAMSON & SON, LIMITED

INCREASED NET PROFIT

LORD PEEL'S STATEMENT

The twenty-fifth annual general meeting of Jas. Williamson & Son, Limited, was held on April 18th at The Royal King's Arms Hotel, Lancaster, Mr F. E. Winmill presiding in the absence of the chairman abroad.

The secretary (Mr L. Beswick) read the notice convening the meeting and the report of the auditors was read by Mr R. W. Gorman, FCA, of Messrs Viney, Price and Goodyear.

The following is the statement by the Chairman, the Right Honourable The Earl Peel, circulated with the report and accounts.

It is with pleasure that I refer you to the Report of the Directors for the year 1955. You will see that the Net Profit before taxation amounts to £1,002,885, an increase of approximately 10 per cent over the previous year.

After providing for taxation and making what we believe to be necessary and prudent appropriations, we are able to recommend to you a final dividend of 8½ per cent. If this meets with your approval, the total distribution for the year will be 12½ per cent on the Capital as increased by the issue of £665,424 "A" Shares sanctioned at your last Meeting, and represents a small increase on the distribution of 15 per cent for 1954 on the smaller Capital.

We are by no means at the end of the heavy programme of Capital Expenditure to which I referred last year, but we believe that we are spending wisely and that we are already beginning to reap benefit from the "ploughing back" of past years. We were able to increase our Sales during 1955 both in the Home and Export Markets. This result was only accomplished by the unremitting efforts of all concerned, which I am sure you will wish me to acknowledge with gratitude.

I take this opportunity to say that I am not amongst those who think it proper to apologise for making a profit. We have an old and well-established business, sound in its foundations, suitably provided with Capital, served by experienced officials and loyal workpeople. Quite clearly such a business should earn good profits when working nearly to capacity, otherwise it could not live in times of adversity.

ACQUISITION OF LEATHER CLOTH COMPANY

During the year we acquired the whole of the capital of The Leather Cloth Company, Limited. That Company has for very many years enjoyed an excellent reputation both for the quality of its goods (which are largely complementary to our range of manufacture) and for its high standard of commercial conduct. For some time past, however, its financial resources have been insufficient for present day requirements. We believe that the joining of our forces will, in due course, make for economy and increased efficiency. The investment is in our opinion well covered by assets, but for the time being you

will understand that the item of £102,652 appearing under the heading of Capital Reserve in the Consolidated Balance Sheet is a book-keeping figure.

I am just completing an extensive tour of some of our most important overseas markets. I attach great importance to these personal contacts with our various agents and our many customers. My journey has been of absorbing interest and I trust will prove of benefit to our business.

MONOPOLIES COMMISSION'S REPORT

It will be within your knowledge that a report by the Monopolies Commission is now before the Board of Trade dealing with the Trade Practices of the Linoleum Manufacturers' Association. These practices have been patiently evolved over a period of years and are the result of life-long practical experience in this industry. Their effect is,

by competition, to impose on members the necessity of maintaining a high standard of production, quality, design and service. No attempt is made to fix prices to the public but by some measure of price stabilisation wholesalers and retailers are encouraged to carry adequate stocks and so to give a better service to the public. The interests of the Distributing Trade and of the public are vital to the continued existence of the Linoleum Industry.

A Bill to regulate procedure in relation to alleged restrictive practices has been published and will no doubt undergo much revision before it reaches the Statute Book. Quite clearly an enormous expenditure of public and private time and money is envisaged. I find, however, one grain of comfort in the fact that an attempt has at least been made to reduce terms of precision, slogans and catchwords which have all too often taken the place of clear thinking.

CLERICAL, MEDICAL AND GENERAL LIFE ASSURANCE SOCIETY

BONUS DECLARATION

CONFIDENCE IN FUTURE GROWTH AND PROSPERITY

The one hundred and thirty-second Annual General Meeting of the Clerical, Medical and General Life Assurance Society was held yesterday at the Society's chief office, 15 St. James's Square, London, S.W.1.

In moving the adoption of the report and accounts, Lieutenant Colonel Sir Francis H. Humphrys, GCMG, GCOV, KBE, CIE, the chairman of the board, said:

Before we start our business I have to refer, with the deepest regret, to the loss which the Society has suffered by the death last September of The Right Honourable Lord Courthope PQ, MC, who gave valuable service as a Director since the war and was greatly beloved by us all.

NEW BUSINESS

The net new Sums Assured under individual and Group Life Assurances reached a total of £9,820,821, an increase of 16 per cent over the 1954 figure of £8,465,933.

During 1955 we introduced our new form of Pension Contract, which was well received. The new contracts effected in 1955 are designed without any allowance for future automatic increments, to provide Deferred Annuities of about £374,000 per annum. In addition, we transacted a considerable amount of pension scheme business under the old arrangements.

For these excellent new business figures we are grateful to all our agency connections. I should like to express our thanks, in particular, for the constant help which we receive from our good friends The Employers' Liability Assurance Corporation.

CLAIMS

The claims by death, amounting to about £421,000, were particularly light, in spite of the growth in the total sums at risk, and were favourable in character. Our mortality experience, therefore, again made a satisfactory contribution to the divisible profit.

The claims by maturity, at £562,000, require no special comment.

Expenses.—Once again, the expenses of our Life business show a small reduction proportionately to the premium income.

PROGRESS OF FUNDS

The Life Assurance and Annuity Funds increased by £2,184,700 to £25,796,098. The Capital Redemption and Annuity Certain Funds decreased by £118,037 to £2,341,930.

INVESTMENTS

Our recent investment policy, which has involved considerable purchases of carefully selected equities, has produced a very satisfactory yield. The Stock Exchange securities which appear in our Balance Sheet "below middle market prices" on December 31st last are conservatively valued and a substantial margin remains as a protection against any future depreciation that may occur.

The gross yield on the Life Assurance Fund, at 55 13s. 11d. per cent is the highest in the Society's history, while the net yield has increased by 4s. 3d. per cent to 44 5s. 6d. per cent.

Before I close I must make a brief reference to the Budget proposals dealing with pension arrangements for self-employed persons and changes in the taxation of annuities. We welcome the proposals, which will go far to eliminate some anomalies which have long been apparent, and we shall not be backward in giving effect to them when the necessary legislation has been enacted.

The report and accounts were adopted.

BONUS MEETING

Presiding at the bonus meeting the chairman said:

The objects of this meeting, according to Article 74 of the Society's Laws and Regulations, are first, to declare the result of an investigation of the Society's affairs as at December 31, 1955, and secondly, to produce the accounts and calculations upon which the result is based.

We find that, after making reserves which conform to the full with the standards of

You will wish me to say something about the prospects for the year now current. This is a more than usually difficult prediction. Costs of raw materials, wages and all other expenses continue to rise alarmingly as also does Governmental expenditure and consequent taxation. It is obvious that failure to check these increases will endanger the currency and signs are beginning to appear that this inexorable law is being more widely recognised albeit grudgingly and with reluctance. In the meantime we are meeting these increasing difficulties by vigorous selling and by improving technical efficiency to the best of our ability.

The report and accounts were adopted; the proposed dividend was approved; the retiring directors, Mr G. G. Parkinson, Mr L. Beswick and Mr I. D. Taverner, were re-elected and the remuneration of the auditors, Messrs Viney, Price and Goodyear, was fixed.

stringency which are traditional in this Society, we have a surplus of £2,433,000. This is not quite the total profit of the quinquennium as £179,000 has already been paid during the last five years as intermediate bonuses to the participating Policyholders and Proprietors.

The full profit available (including £233,000 brought forward from the previous quinquennium) is, therefore, £2,612,000, which is the largest in the Society's long history. Of this sum, we propose to distribute £2,390,000 and to carry forward £222,000 into the new quinquennium.

NEW BONUS SCALES

As explained in the Report, with a very few exceptions With Profit policies effected, and policies converted to With Profits, on or after January 1, 1946, are included in what we term the "New Series." For Full Profit policies in this Series, the bonus now added, in respect of each annual premium ranking for profit in the quinquennium, is at the rate of 50s. per cent of the Sum Assured, compared with the rate of 35s. per cent declared five years ago in respect of the quinquennium 1946-50.

It is less easy to give a short description of the bonus rates for the Old Series policies. For this series, the bonus is first calculated as a cash sum dependent upon the amount of the premiums paid in the quinquennium, and also on the total period during which the policy has been upon a profit-sharing basis. This cash sum is then converted into a Reversionary Bonus by a factor which depends upon the age of the Life Assured and the class of policy.

In general, the Reversionary Bonuses for Full Profit policies in the Old Series exceed those declared in 1951 by rather more than three-sevenths, but there are a few exceptions in the case of policies of short duration. The increase for policies under the Prime Cost System is generally much greater than three-sevenths.

The only other comment which I need make on the new bonus scales is that, at least for the present, the Intermediate Bonuses payable in respect of claims in the new quinquennium will be at the same annual rates as the Reversionary Bonuses now declared. We must, however, reserve the right to vary the rates if conditions make it necessary.

ANNUITIES

In considering the values which our actuaries have placed on the liabilities, I must first refer to the Annuities. The vitality of annuitants has always been noteworthy,

and has steadily improved over a long period of years. New tables, based on recent mortality statistics for annuitants, were published a year or two ago by the Institute and the Faculty of Actuaries, and we have thought it right to adopt these new tables in our valuation. The change has increased our reserves by rather more than £200,000. For those contracts which are valued "prospectively," the rate of interest assumed has been retained at 2½ per cent.

LIFE ASSURANCES

Turning to the Life Assurances, the Society has, for over 65 years, employed the Net Premium method with interest at the rate of 2½ per cent. During much of this period, the majority of British Offices regarded the less stringent 3 per cent basis as adequate for security and bonus maintenance.

Our own valuation has been further strengthened, in recent years, by an additional reserve which, in 1951, was raised to £1 million. We have now increased this Special Reserve to £1½ million, with the result that, as in 1951, our total actuarial reserves for Life policies exceed those which would be required by a Net Premium Valuation with interest at 1½ per cent.

The Society has long been noted for the outstanding strength of its reserves and, in the combined valuations of the assets and liabilities, our tradition in this respect is being fully maintained. This fact, in itself, provides solid ground for confidence in the future profit-earning powers of the Society, resting as they do upon the continued application of those principles and methods which have served our Policy-holders well for more than 130 years.

THE STEETLEY COMPANY LIMITED

(DOLOMITE AND REFRACTORIES)

The Annual General Meeting was held in Sheffield, on 29th March, 1956.

The accounts for the years to 31st December, showed:

	1954	1955
Trading Surplus	£	£
(after depreciation, etc.)	894,062	1,187,593
Taxation	498,639	586,287
Profit	395,423	601,306
Issued Share Capital	2,239,083	3,164,874
Dividends	141,979	159,079
Undistributed Profits	253,444	442,227

The following is an extract from the statement to shareholders made by Mr N. M. Peech, Chairman:

The progress of the group was in line with recent years and the important Canadian development began to bear fruit. Projects in hand, for which finance was obtained during the year, include a major extension to the sea-water magnesite plant, a new dolomite works and new refractory brick unit. These projects which are assured of future support by customers, will not be in operation until late in 1957. Meantime current demand for the group's products remains good. Since the close of the financial year, the company has made an offer to acquire the minority interests in the common stock of Steetley of Canada Limited.



PEARL ASSURANCE COMPANY LIMITED

Chairman: G. KITCHEN, T.D., M.A.

Points from the Annual Report and Balance Sheet for the year ending 31st December, 1955

TOTAL ASSETS £230,219,398

GROSS INCOME £47,893,714

INVESTMENTS

The Assets show an increase of £10,422,662. The valuation of the investments taking Stock Exchange securities at middle market prices showed a comfortable margin compared with the values shown in the Balance Sheet after taking into account the Investments Reserve Funds.

LIFE BRANCHES

In the two Life Branches the total sums assured on new policies issued amounted to £60,141,962 compared with £52,496,202 for 1954 and the total sums assured and bonuses in force (including the Capital Redemption Fund) amounted to over £544 millions (an increase for the year of over £30 millions).

CHIEF OFFICES: HIGH HOLBORN, LONDON, W.C.1.

FIRE AND ACCIDENT

In this Branch the premium income was £7,890,784.

REVERSIONARY BONUSES

ORDINARY BRANCH—A reversionary bonus of £2 0s. 0d. per £100 sum assured on United Kingdom policies entitled to participate in full profits.

INDUSTRIAL BRANCH—A sum of £2,123,033 has been allocated to provide bonuses and other benefits to policyholders in the Industrial Branch making a total allocation up to date of £24,388,238.

LEGAL & GENERAL ASSURANCE SOCIETY LIMITED

REVIEW OF OPERATIONS FOR THE YEAR 1955

THE HONOURABLE W. B. L. BARRINGTON'S STATEMENT

The one hundred and nineteenth annual general meeting of the Legal & General Assurance Society Limited will be held on May 9th at Aldwych House, Aldwych, London, W.C.2.

The following is an extract from the statement by the Chairman, the Honourable W. B. L. Barrington, which has been circulated with the report and accounts:

LIFE ASSURANCE AND ANNUITY FUND

You will remember we had the satisfaction in the year 1954 of exceeding, for the first time in our history, the total of £100 million new sums assured. Now in 1955 we have established a further record, the new business amounting to £115,020,108 net.

I am pleased to be able to report that there has been an increase in every major section of our life business, both at home and abroad, and that our net premium income has increased from £30,597,751 to £34,764,659.

OVERSEAS BUSINESS

I am pleased to report steady progress in all spheres of our overseas activities, both for life and general business. Particularly noteworthy is the completion for the first time by our life organisation in Southern Africa of more than £20 million net new sums assured. Our arrangements to write life business in Australia have now been completed and our offices there are commencing to operate. We wish every success to the venture.

MORTALITY EXPERIENCE

The usual investigation of our mortality experience in respect of both life assurance and annuities has been made and I am once again able to report that the results of such investigation are favourable in both sections of our business.

RATE OF INTEREST

The gross rate of interest earned on the life assurance and annuity fund, excluding the amount invested in purchased reversions, was £4 16s. 4d. per cent, as compared with £4 14s. per cent in the previous year. The corresponding net rates were £4 4s. 1d. per cent and £4 1s. 4d. per cent respectively.

EXPENSES OF MANAGEMENT

The total cost of commission and expenses of management expressed as a ratio to the life premium income was 9.42 per cent, as compared with 9.34 per cent in 1954, 9.41 per cent in 1953, and 9.49 per cent in 1952. In calculating these figures we do not take into account the consideration monies received for immediate annuities which, in 1955, totalled £1,302,828, although the expense ratio does include the expenses of the annuity business.

FIRE INSURANCE ACCOUNT

The net premium income of the fire insurance account amounted to £2,194,899, which represented an increase of £83,397.

After making provision for unexpired liabilities and after transferring £25,000 to exchange reserve, the underwriting surplus for 1955, amounting to £286,171, has been transferred to profit and loss account. In addition to the normal premium reserve there has been retained in the revenue account the previous additional reserve of £465,150.

ACCIDENT INSURANCE ACCOUNT

The net premium income of the accident insurance account amounted to £1,683,384, an increase for the year of £202,308.

After providing for unexpired liabilities the underwriting surplus amounted to £92,544. As in the fire account, the whole of this amount has been transferred to the profit and loss account. In the revenue account we retain an additional reserve of £283,980 over and above the provision for unexpired risks amounting to £992,831. The latter figure corresponds to a figure of £811,559 for 1954, which was then shown separately for the item of 40 per cent of premium income and the item for risks in respect of special contracts. These have now been amalgamated.

FIRE AND ACCIDENT

The totals of our combined fire and accident accounts were therefore—premiums, £3,878,283; claims paid and outstanding £1,539,159, or 39.69 per cent of income; commission, expenses of management, and overseas taxation, £1,720,779, or 44.37 per cent. The total underwriting surplus after providing for unexpired liabilities was £378,715, or 9.77 per cent.

MARINE ACCOUNT

The fund at the end of 1955 was £912,901, as compared with £730,522 at the end of 1954. The 1953 account has been closed and the balance for that year of £44,617 has been retained in the fund. This compares with a final balance of £37,504 on the 1952 account.

PROFIT AND LOSS ACCOUNT

The balance brought forward in the profit and loss account was £1,037,704, of which £750,000 is shown as transferred to capital account to extinguish uncalled capital liability in accordance with the arrangements approved last year.

The account also includes the transfers from the fire and accident accounts to which I have already referred, and there is a balance carried forward of £238,773.

ASSETS

The total assets of the Society at December 31, 1955, amounted to £262,165,154, being an increase of £31,616,206 during the year.

In concluding, I wish to thank the management and staff once again for their splendid services in the year under review—our excellent results are in large measure due to their fine work and intense keenness.

BRITISH-AMERICAN TOBACCO

RECORD SALES

The fifty-third annual general meeting of the British-American Tobacco Company, Limited, was held on April 13th in London.

Mr D. M. Oppenheim, the Chairman, in the course of his speech, said: Whilst exports from the home factories have been maintained at a satisfactory level, the increase in the proportion of the Group net profit dealt with in the Accounts of British-American Tobacco Company Limited is primarily due to larger dividends having been received from the overseas operating subsidiaries, which is a reflection of the increased profits arising from the expanding volume of sales of the Group. As a result, the Board has been able to recommend an increased dividend for the year whilst continuing to strengthen the company's reserves and maintain a satisfactory position in regard to liquid assets.

RESEARCH AND DEVELOPMENT

Our technical and research experts have constantly under examination new and improved methods of handling leaf tobacco, modern and more fully protective forms of packaging and, of course, improved processes of manufacture of cigarettes and tobaccos. We have decided to extend scientific and technical research for the benefit of the Group and, to this end, we are now in process of constructing a new Research and Development Centre adjoining our factory in Southampton.

As was the case last year, the date of this Meeting has anticipated that of the presentation of the Budget by a few days and, therefore, in regard to what the Chancellor of the Exchequer may have in store for us all I can only express the hope that he will find it possible to give effect to some recommendations of the final Report of the Royal Commission on the Taxation of Profits and Income which was published last June.

DOUBLE TAXATION

One of the main difficulties lies in overseas income being taxed twice, both abroad and in this country. The mode of relieving this double taxation has hitherto been to grant credits against the United Kingdom taxes in respect of equivalent taxes borne overseas on the same income. Double taxation relief on these lines has been gradually extended in the form of bilateral treaties, or unilateral relief where such treaties cannot be negotiated.

Since there is a continuing tendency for overseas tax rates on companies to rise, this relief is most valuable, but it is becoming increasingly evident that the tax credit system in general is but a necessary consequence of a basically defective taxation structure.

The root cause of the trouble, as the Majority Report recognises, is the claim, which the United Kingdom has traditionally asserted, to tax a United Kingdom resident, whether company or individual, upon total income from all sources, including income arising abroad, despite the fact that the latter falls under the jurisdiction of other countries. Nowadays, these countries not only claim a prior right to assess income arising within their own countries, but are beginning to claim the sole right.

Logically, a situation in which two conflicting jurisdictions claim tax on the same fund of income can be resolved either by withdrawal of one party or by compromise;

in this case, clearly it is the United Kingdom Government which has the weaker case.

In my speech last year, I expressed the opinion that, in the year now under review, the Group would achieve a new record as far as volume of sales was concerned. This has, in fact, turned out to be the case, and for the first six months of the current financial year the volume of Group sales again shows an overall increase. Given fair trading opportunities and the absence of international upheavals, I see no reason why this satisfactory trend should not continue for the remainder of this financial year at least. Apart from the obvious satisfaction this state of affairs must give to all of us as stockholders, it is gratifying that our increasing prosperity carries with it a notable contribution to the balance of payments of this country, as well as benefiting considerably the economies of the countries in which the members of the Group operate.

The report and accounts were adopted.

BANK LEUMI LE-ISRAEL BM

STEADY PROGRESS

The fifth Annual General Meeting of the Bank Leumi le-Israel BM, the fifty-fourth of the business established in 1902, took place on March 29, 1956, at the Bank's Head Office in Tel-Aviv. Mr E. S. Hoofien was in the Chair.

In his introductory speech the Chairman was able to report steady progress: The Capital and Reserves, which had stood at IL4 million two years ago and at IL4½ million last year, now stood at IL5 million; Deposits which in the year 1954 had gone up by 34 per cent had risen by 30 per cent in the year under review. Profits had been satisfactory and the final dividend proposed would again make 12½ per cent for the full year. At the end of the year there were 61 branches; all the new branches were naturally small and the Bank generally preferred the system of a multiplicity of small offices in the country where the customer still showed so strong an inclination to look personally after his business in the bank.

BANK'S FOREMOST TASK

Referring to the general position and to the activities of the Bank of Israel, the new Central Bank which is now a little more than a year old, Mr Hoofien pointed out that the economy of a country like Israel, with its strong tendencies towards development, economic expansion and immigration, was inevitably bound to show inflationary features and that therefore it was first and foremost the task of the Central Bank to exercise the full force of its monetary power in an anti-inflationary direction. This the Bank of Israel was doing to the best of its ability. The recent discussions on the standard of wages, although little had been done yet, gave rise to the expectation that there would shortly be a sensible rise, and it remained to be seen whether the monetary means at the disposal of the Central Bank in the struggle against inflation would prove sufficient. There was every reason to give the policy of the Central Bank the strongest possible support. The Directors' Report and Accounts were unanimously approved.

The Directors retiring in rotation were re-elected, and Mr E. I. Nebenzahl, who had been co-opted to fill the vacancy caused by the death of Mr A. Hantke, was also elected to the Board.

GRESHAM LIFE ASSURANCE SOCIETY LIMITED

INCREASED BONUS TO POLICYHOLDERS

THE HONOURABLE W. B. L. BARRINGTON'S REVIEW

The One Hundred and Seventh Annual General Meeting of the Gresham Life Assurance Society Limited was held on April 12th at 188 Fleet Street, London, E.C.

The Honourable W. B. L. Barrington, the chairman, who presided, said:

INCREASE IN HOME NEW BUSINESS

I am pleased to report a further modest increase in our new business production in the United Kingdom, thus maintaining the expansion of our home business. After deducting amounts re-assured the new sums assured under life and endowment policies of all types amounted to £6,939,000 as compared with £6,835,000 in 1954.

Our overseas business, however, suffered a reduction of £614,000 to £5,053,000 in net new sums assured. Our decision to close down in Egypt accounts for part of this reduction and we must anticipate a still further reduction as a result of the loss of our Indian business.

Thus, although our total new business production decreased from £12,502,000 in 1954 to £11,992,000 in 1955 we can, I think, bearing in mind the conditions overseas, regard the year's working with satisfaction, and I should once again like to express our gratitude to our agents and friends throughout the world for all their efforts which have assisted so many persons to enjoy the benefits of life assurance.

CLAIMS AND SURRENDERS

The amount of £330,943 paid in death claims during 1955 was some £20,000 more than that in the previous year. Despite this increase, however, our mortality experience has again been very satisfactory, the claims being well within the amount expected according to the mortality tables used in the valuation.

Sums totalling £939,574 were paid in the settlement of maturing endowments and £269,764 in the payment of surrender values.

SOCIETY'S INCOME AND FUNDS

The total amount of premiums received by the Society during 1955, after deducting premiums on re-assurances, amounted to £3,808,744 and the Society's income from all sources to £4,709,551. These figures are slightly less than those for 1954, reflecting the exclusion for the first time of figures for Egypt.

The life assurance fund amounted to £22,332,848 after allowing for the transfer of the Egyptian business referred to above; the total funds of the Society being £22,626,092.

During the year a considerable fall occurred in the Stock Exchange quotations of all fixed interest securities. I am glad to record, however, that the usual valuation of the Society's assets, including its investments in house property, revealed that the book values of these investments were still within their market value at December 31, 1955.

There was a further welcome increase in the average rate of interest earned on the Society's funds. During 1955 a rate of £4 3s. per cent, after deduction of income tax, was earned as compared with £3 18s. 9d. per cent in the previous year.

QUINQUENNIAL VALUATION

As I mentioned in my speech last year, 1955 was the last year of the quinquennium and our actuaries have accordingly carried out a full investigation of the Society's financial position as at December 31, 1955.

Although the total value of the Society's assets, at December 31, 1955, was well in excess of the value placed upon them in the balance sheet, it was considered prudent, in view of the somewhat uncertain financial outlook, to transfer a substantial sum to investment reserve. The actuaries considered that, having regard to the increase in rates of interest which has taken place in recent years, a rate of interest of 2½ per cent, instead of 2½ per cent, could safely be used in the valuation of non-profit assurance business. The sum released by this change has been made up to £500,000 and transferred from the life fund to the investment reserve account.

The directors have accepted the actuaries' recommendation that, after the necessary provision for interest on the shareholders' capital, £1,525,000 of the surplus disclosed shall be declared divisible and £338,040 carried forward.

Ten per cent of the divisible surplus will be paid to the shareholders, and the remaining 90 per cent belongs to the policyholders and will enable the Society to declare reversionary bonus additions to sums assured under all with-profit policies. These bonus rates vary according to the country of the policy as well as according to the length of time during which the policy has been in force. For policies in the United Kingdom the rates of bonus, expressed as a percentage addition to the sum assured for each year of the quinquennium during which the policy is entitled to participate, vary between £1 15s. for the most recently effected policies and £4 for the oldest policies. These rates represent substantial increases on those declared five years ago.

MANAGEMENT AND STAFF

I should also like to pay a special tribute to the skill and work of our manager and secretary, Mr Chapman, and all his officials at head office who have had many problems to deal with, particularly those arising from the transfer of our Egyptian business and the nationalisation of our Indian portfolio and to our staff throughout the world who deserve the highest praise for their efforts.

The report and accounts were unanimously adopted and, the other formal business having been transacted, the proceedings terminated with a vote of thanks to the chairman.

NATION LIFE AND GENERAL ASSURANCE

POLICIES FOR ALL

The Thirty-First Annual Ordinary General Meeting of the Nation Life and General Assurance Company, Limited, was held on April 6th at Teddington, Mr H. Cox, the chairman, presiding.

The following are extracts from his circulated statement:

The company's income during 1955 was £312,756, as compared with £304,092. The premium income was £268,567, an increase of £3,980.

The new sums assured totalled £502,082 in 1955 as compared with £473,999.

The company continues to increase the amount of the sum assured per policy issued, which is above the average for industrial assurance. This increase is due to our suc-

cess in bringing the advantages of our home service to every member of the community. I can assure you that our policies appeal to all sections of the community. These policies can be for high amounts, such as are usually associated with Ordinary Life, and give our policyholders the benefit of a home service based on monthly premiums collected by our representatives.

Our prospectus is varied and we have under consideration the adoption of further types of policies on the occasion of the issue of a new prospectus, which will take place this year.

During the year we have paid to our policyholders £137,582, the total being made up of claims by death £34,803, maturity £96,540, and cash surrender £6,239. In 1954, our payments to policyholders amounted to £136,047.

We have increased our assets substantially during the year and they are now standing in our balance sheet at £1,145,530.

Your board believe that the company holds

an excellent portfolio of investments, well distributed.

Our investment income was £43,011, an increase of £4,545 as compared with 1954, and the net interest yield on the fund was £4 18s. 5d. per cent as compared with £4 12s. 7d. per cent for 1954.

You have before you a recommendation that a final dividend of 6d. per 5s. stock unit, free of tax, be paid, making a total dividend of 8d. per 5s. stock unit, free of tax, for the year ended December 31, 1955. The directors also recommend that the payment of an interim dividend of 2d. per 5s. stock unit, free of tax, be made for the year ended December 31, 1956.

The directors are pleased to be able to recommend a rate of dividend higher than that which was forecast in their report on the occasion of the application for official quotations of the company's stock. The directors are confident that this rate of dividend can be maintained.

The report was adopted.

CO-OPERATIVE INSURANCE SOCIETY LIMITED

INCREASED BONUSES FOR CIS POLICYHOLDERS

EXPENSES REDUCED

Mr S. Leonard Kassell, Chairman, at the Eighty-eighth Annual General Meeting held on April 18, 1956, said:

In submitting my report on the Eighty-eighth Statement of Accounts and Balance Sheet I realise that although technically I am reporting to the Shareholders on the stewardship of the Directors during the past year, I am in fact reporting to a much wider audience—the many millions of persons of all classes who hold policies of various types (Ordinary Life, Industrial Life, Fire, Accident and Motor) with the Society.

Very few of our policyholders will have an opportunity of studying the Society's Accounts but I hope many of them will read this Report when it is published in the Co-operative and public press.

I have previously emphasised that for all practical purposes the CIS functions solely for the benefit of its policyholders and it is in their interests that the Directors devote their time and energy to securing efficient and economical management and to investing the ever-growing funds to the best possible advantage of the policyholders and not for the furtherance of the interests of Shareholders.

During 1955 our premium income was £38,108,369, being an increase of £2,937,660 over the previous year. Our assets increased by £15,985,291 to £164,394,327. Most of the increase in Assets related to the Life Assurance funds.

The Society's House Purchase Scheme was rather more active during 1955, due very largely to the fact that many of the Building Societies were forced to restrict their lending. New advances amounted to £4,637,358 but after taking into account repayments the total amount outstanding under House Purchase mortgages increased by £2,529,541 to £28,831,029. This amount is secured on 40,678 properties and the average House Purchase mortgage outstanding was £709 compared with £666 at the end of 1954.

ADMINISTRATION

In 1955 our overall commission and expense ratio was 23.57 per cent as against 23.64 per cent in 1954. In the Industrial Section the expense ratio was 27.12 per cent as against 27.43 per cent in 1954.

The expense ratios in the Fire, Accident and Motor Departments were not materially different from those in 1954 but there was a slight increase in the Ordinary Life Section ratio from 12.78 per cent to 13.08 per cent. In view of the very substantial increase in new business with its attendant initial expenses, this was only what could be expected.

LIFE DEPARTMENT

Our total new sums assured in the Life Department last year was £77,779,523, of which £29,803,186 was in the Ordinary Life Section and £47,976,337 in the Industrial Life Section. These were record new business figures for each Section and once again the average sum assured increased, being £645 in the Ordinary Section and £60 in the Industrial Section.

The volume of business which we are able to transact in both Sections is evidence of the demand for life assurance from all classes of the community—not only from those who can pay yearly, half-yearly or quarterly, but also from those who still prefer to pay weekly or monthly. Through its full-time agency organisation the CIS is able to provide facilities for all types of individual life assurance business.

INCREASED BONUSES

I have already stressed that in the management of the Society and investment of the Funds the Directors have as their first consideration the interests of the policyholders and it is with great pleasure therefore that I am able to announce increased bonuses to our life assurance policyholders.

In the Ordinary Section the rate of bonus

MOTOR DEPARTMENT

The year 1955 saw a very large increase in the premium income, which rose by nearly £600,000 to £4,101,068, and it is pleasing to record that despite the difficulties which characterise the underwriting of this class of business a surplus of £189,897 has resulted. This figure, however, includes interest earnings, and the net underwriting surplus amounts to only 3 per cent of the premium income, which demonstrates the fine margin separating profit and loss in this field. The claims ratio, while showing a slight improvement over that of 1954, remains too high, and it is only the fact that the Society's administrative expenses are so low that has enabled us to show a profit.

FIRE DEPARTMENT

An increase of £130,514 brought the premium income in this Department up to £1,704,221, whilst a favourable experience over the year's working has resulted in a claims ratio of 43.01 per cent, which is slightly better than that of last year. After making the necessary provision for reserves a sum of £361,975 has been transferred to Profit and Loss Account.

ACCIDENT DEPARTMENT

The premium income for the Personal Accident Account was £130,335 and the trading surplus was £44,647. Of this, £37,550 has been transferred to profit and loss account, the balance being added to the reserve fund.

In the General Insurance Account the premium income at £1,599,487 was nearly £120,000 greater than that of the previous year. The surplus of £367,998 was dealt with by transfer of £310,650 to profit and loss account, the remainder being added to the reserve.

PROFIT AND LOSS ACCOUNT

The sum of £1,720,500 has been transferred to the Profit and Loss Account from

the Departmental Revenue Accounts, of which £1 million has been applied to writing down investments and £150,000 added to the General Reserve Fund.

DISTRIBUTION OF PROFITS

After making these transfers and making adequate reserves for contingencies the total amount to be distributed to policyholders in respect of our operations for the year 1955 is the record sum of £5,150,000, of which £4,725,000 is due to our Ordinary and Industrial Life policyholders. The balance of £425,000 is payable to Co-operative Societies as a dividend on the Fire and General and Collective Life premiums paid to the CIS during the year, a sum which undoubtedly emphasises the benefit to the Societies concerned of insuring with their own Insurance Society.

CONCLUSION

The Board is fully aware that the success of the Society is a result of teamwork between the Directors, the Management and the Staff and it is no mere platitude when I express to all grades of the staff the Directors' appreciation of the efforts they have made to help in the achievements which I have briefly reviewed.

It is the sincere wish of the Directors that this fruitful collaboration shall continue during 1956 and in future years.

The year 1955 was not an easy one in many respects and 1956 has not opened very auspiciously, but as the CIS is very firmly established and well organised I am certain that we shall face up to and overcome any difficulties which may arise.

The report was adopted.

NORTH BRITISH AND MERCANTILE INSURANCE

CONTINUED PROGRESS

The annual general meeting of the North British and Mercantile Insurance Company Limited will be held on May 10th in Edinburgh. The following is an extract from the circulated statement of the chairman, the Right Honourable Lord Brand, CMG, DCL.

Fire Department: In the Fire Department, which is our most important department from an income point of view, the results though much improved are still not as favourable as we should like.

Premiums at £17,426,027 show an increase of £1,024,558 over the 1954 figure of £16,401,469, whilst losses amounting to £8,560,196, 49.12 per cent of premiums, compared with the figure for the previous year of £8,670,504, 52.87 per cent.

Commission, Expenses of Management and Overseas Taxation amounted to £8,188,638, 47 per cent, as against £7,606,297, 46.37 per cent, in 1954. After allowing for the adjustment of the Provision for Unexpired Risks we are left with a profit of £491,268, 2.82 per cent, for transfer to the Profit and Loss Account, which compares with a figure of £60,047, .37 per cent, in 1954.

Casualty Department: Total premiums amounted to £7,659,948, being £2,291,701 in excess of those for 1954 of £5,368,247. The total claims incurred amounted to £4,135,629 against £2,791,596, the percentage of claims to premiums being 53.99 per cent compared with 52.00 per cent for 1954.

Commission, Expenses of Management and Overseas Taxes were £3,072,140 com-

pared with £2,093,000 for the previous year, the respective ratios to premiums being 40.10 per cent for 1955 and 38.99 per cent for 1954.

After adjusting the reserve for unexpired risks on the usual basis the underwriting profit is £237,927, 3.11 per cent of premiums, compared with £367,260, 6.84 per cent for 1954. Overall, our Casualty business at home has produced satisfactory results.

Marine Department: The Marine premium income for 1955 was £1,730,660, which compares with £1,566,197 in 1954. Claims totalled £1,122,926 against £1,024,919 in 1954, and Expenses of Management and Overseas Taxes amounted in 1955 to £272,909, the corresponding figure for 1954 being £266,038. We have transferred the sum of £331,636 from our Marine Fund to Profit and Loss Account.

RECORD NEW LIFE BUSINESS

Life Department: The year 1955 was the first year of a new quinquennium and it coincided with the completion of a record amount of new business. The total new sums assured for the year, after deducting re-assurances, amounted to £13,791,700, compared with the previous year's figure of £11,403,255. In these totals Group Life and Group Endowment Assurances together accounted for £4,804,729 and £2,817,392 respectively.

Consolidated Profit and Loss Account: Net interest on Investments amounts to £1,133,727, compared with £998,173 in the previous year. The Fire Accident and Marine Accounts contribute a total underwriting profit of £1,060,831 as against £687,378 in 1954.

The proposed dividend of 11s. per share, which is the same as last year, and the preference dividend will absorb £736,000.

ECONOMIST, APRIL 21, 1956

TAYLOR, WALKER & COMPANY

IMPROVED RESULTS DESPITE RISING COSTS

LT COL W. H. KINGSMILL ON PROPERTY IMPROVEMENTS

The forty-ninth annual general meeting of Taylor, Walker & Company Limited will be held on April 19th in London.

The following is the statement by the Chairman and Managing Director, Lieutenant Colonel W. H. Kingsmill, DSO, MC, which has been circulated with the report and accounts for the year ended December 31, 1955:

Ladies and Gentlemen,—In my last statement you will remember that I referred to the fact that we were concentrating production of beer in London at our Limehouse Brewery. This became effective last October and, judging from experience to date, would seem to be proving highly satisfactory.

The further phase of conversion of the Group's premises at the Cannon Brewery is now under way, but will take some eighteen months to complete and until this has happened the full benefit will not be apparent.

Thanks largely to the good summer last year, the continuing decline in the trade was halted and from results to date, it would seem that there is a slight trend for trade to increase. This could easily be upset should we have a bad summer.

Taxation is still one of the biggest burdens with which we are faced and it is of interest

to note that in beer duty alone the Taylor Walker Group paid direct to the revenue no less than £2,628,816 in 1955 and in addition almost twice this amount as collectors for the Inland Revenue through sales of other brewers' beers, and wines, spirits, etc.

EFFECT OF REVALUATION

There is a further and most important situation which has arisen and which will affect both the wholesale and retail side of the brewing industry. I refer to the revaluation of licensed and other premises for rating purposes. The assessment on most of our licensed premises has been raised in some cases by more than 300 per cent, and as these rates are borne by the tenant, this may affect the income which your Company receives in rents. Your Directors are fully aware of this danger and are taking all steps within their power to see that the Company's licensed premises are fairly rated in the interest of both the tenants and the shareholders. This revaluation, after all, only results in a further burden on the industry, which is already being taxed far too heavily to enable it to maintain and improve the standard of licensed premises commensurate with the standard of life enjoyed by the public in their own homes.

Your Directors are pressing ahead with alterations and improvements to licensed properties and last year spent £26,000 on new and re-opened houses and £266,000 on repairs and alterations. Three new licensed premises will be opened this year in Essex and it is planned to rebuild one or two houses which were badly damaged during the war.

The additions to the Alperton Bottling Company's premises, to which I also referred

last year, have proved a great success, but in spite of these additions your Company is still short of facilities for the ever-increasing demand for our bottled beers. It is hoped to find a suitable site for a further bottling depot, which will relieve the pressure on your Company's existing premises.

During the year under review no subsidiary failed to make a profit.

In the Export Market our sales of beer continue to expand steadily, and during the year arrangements were made for La Madriena SA of Mexico to manufacture Curtis Gin.

INCREASING SCOTTISH TRADE

In order to cope with our increasing beer trade in Scotland, we are negotiating to purchase an existing bottling factory near Glasgow, which should enable us to handle this market on a more favourable basis as well as producing a ready-made trade in other beers and soft drinks.

During the past year there have been several considerable wage awards granted, but in spite of this I am pleased to say that the consolidated accounts continue to show an increased profit, mainly due to the economies which have been effected in other directions. I am happy to say, therefore, that your Directors unanimously recommend a return to a 10 per cent dividend by the payment of a final dividend of 7 per cent less tax. Once more I would like to take this opportunity of stressing that without the loyalty and goodwill of all staff and employees these results could not have been achieved and I am glad to be able to tell you that relations between Management and all other branches have never been more cordial.

LABU CHEVIOT RUBBER

RESEARCH AND NATURAL RUBBER PRODUCTION

SIR JOHN HAY'S STATEMENT

The Third Annual General Meeting of Labu Cheviot Rubber Limited, will be held on May 9th, at 19, Fenchurch Street, London, E.C.3. The following is an extract from the circulated statement of the Chairman. After reviewing the domestic affairs of the Company Sir John Hay continued:

Our replantings are an outstanding example of the economic application of the findings of research which have enabled us to substitute for old seedling rubber planting stock which is capable of giving a yield several times greater than unselected material. It is significant that this important advance is due as much to the researches of private enterprise, working within the limitations of its own resources, as it is to the activities of research institutions supported by the collective contributions of the industry. But whilst acknowledging and welcoming the supplementary activities of independent concerns, it is to the central institutions which they support that the industry is entitled to look for scientific progress.

Nearly fifty years have passed since the rubber industry made its first essay in organised research. This was followed in 1925 by the establishment of the central Research Institute of Malaya. A great impetus was given to rubber research by a provision in the Inter-Governmental Agreement for Rubber Regulation of 1934, which committed the Governments concerned to levying and collecting a cess on rubber exports. Although this agreement was long ago terminated, the cess still operates in Malaya and in 1955 a sum of approximately £800,000 was collected.

On the basis of the acreage involved, this substantial sum represents nearly double the rate levied in this country for State expenditure on agricultural research. Other rubber producing territories within the Commonwealth make only token payments and 96 per cent of the funds available come from Malaya, although it is fair to say that Ceylon maintains within its territory its own research institute.

RADICAL CHANGE IN RUBBER SITUATION

The condition that gave rise to the 1924 agreement was an excess of supplies of natural rubber and the consequent impoverishment of producing territories. It was natural that in the circumstances then existing emphasis should be placed on forms of research directed to help "towards a natural balancing of production and consumption," and the programme was set accordingly. Since that time, however, the rubber situation has radically changed. Natural rubber is no longer in excess supply in the sense of the 1934 agreement. In quantity it falls far below the requirements of rubber manufacturers, who must perforce resort to synthetics and other substitutes with which natural rubber must now compete in price and suitability. Despite this dramatic change in the rubber outlook, research and the varied activities which are carried on under that heading have continued to follow with a misguided emphasis the 1934 pattern. Ill-advised and vain attempts have been made by lavish expenditure on propaganda to check the flow of synthetic supplies. The rubber manufacturers, by their own enterprise and expertness, have vastly increased and extended the uses of rubber products. The strong and intensive competition which is such an outstanding feature of that side of the industry is a safe guarantee that development and extension will not cease. The producing industry's less expert

excursions into this field of development, already so well served, have by contrast proved costly and barren of results. Such activities have for long involved a serious diversion of funds from what should be our primary purpose, namely the pursuance of an extensive and sustained programme of research into the production of natural rubber. Directed with energy and imagination such researches should prove an invaluable aid to our industry in its competition with synthetics.

In the course of writing this I recall a leader on the subject of research which appeared in *The Times* of August, 1954. This, of course, was not written in reference to rubber, but it seems now so apposite to our own industry that I proceed to quote:

"There has been a good deal of research into efficiency. What is now needed is a large-scale inquiry into efficiency of research. . . . The greatest gains in research can come from its scope being indefinite. At the same time for every inch won there may be acres of waste. Research can become a vested interest in itself, can be undertaken for prestige rather than for product, can be duplicated within the same industry, can be so 'pure' as to be purposeless, can give a yield hopelessly incommensurate with its effort. To say such things has been unfashionable for a long time past. It can be construed as hostility to research. It is not. It is a plea for the strengthening of research. But management must be uninhibited in clearing lumber out of the back room as out of the shop window."

An inquiry into the conduct of this industry's research is soon to take place. I hope that the inquiry will extend to the matters referred to here and that in consequence there will be a healthy clearing of lumber from the back room, and a strengthening of research.

GENERAL REFRACTORIES LIMITED

GENEFAX HOUSE, SHEFFIELD, 10

A comprehensive range of refractories serving all industries is produced by the Company and its Subsidiaries at their Works and Quarries situated in many parts of England, Scotland, Wales, and in Belgium. Research and technical field service facilities are available. The Company has offices and representatives throughout the United Kingdom and Agents in all parts of the world.

SUMMARISED CONSOLIDATED BALANCE SHEET: GENERAL REFRACTORIES LTD., & SUBSIDIARIES

Based on figures as at 31st December, 1955

Issued Capital	£1,040,000	Fixed Assets	£3,840,824
Capital Reserves	178,297	Less Accumulated Depreciation	1,944,748
Revenue Reserves and Unappropriated Profits	1,055,224		
Liabilities	1,752,327	Trade Investments, etc.	1,896,076
		Current Assets	5,092
			2,124,680
			£4,025,848

SUMMARISED APPROPRIATION ACCOUNT OF GENERAL REFRACTORIES LIMITED

Profit for year after providing for Depreciation, Taxation, etc.	£248,015
Net Distribution for year to Stockholders	104,650
Retained in the business	£143,365

EXTRACTS FROM THE CHAIRMAN'S STATEMENT

During the year our manufacturing resources were stretched to the utmost and many fresh tonnage records were established. Very satisfactory figures were recorded for the Company's sales and fresh records were established in both the Home and Export markets, the overall increase being 12.6 per cent over the previous year.

The far-reaching schemes for the expansion of the steel industry in the near future make it imperative that our production facilities should be considerably extended to cope with the substantially increased demands which will be made upon us. In the immediate future, therefore, your Directors propose to embark upon three major Capital projects.

The statement then outlined the Board's plans to expand production facilities and continued: In view of the urgency of these major schemes which are estimated to cost £500,000, your Directors have considered it desirable to invite the stockholders to subscribe additional capital. Subject to the consent of the basis of one new 10/- share for every five 10/- stock units at present held.

Your Directors feel that, provided no unforeseen contingencies arise, they will be in a position to recommend for the current year on the increased capital the same rate of dividend as for 1955.

The Group Surplus for the year after providing for Depreciation and Taxation showed an increase of £20,940 over 1954 and amounted to £267,617. Your Directors recommend the payment of a Dividend of 17½ per cent less income tax.

Copies of the Accounts and Chairman's Statement may be obtained from the Secretary, Genefax House, Sheffield, 10.



An AEI stockholder meets a new recruit into the electrical industry. Today, it often takes £5,000 or more of investment to give employment to one man.



Turbine casing for one of the six 100,000 KW generator sets being built by Metropolitan-Vickers for the Castle Donington power station.



The Foundation Stone of the new British Thomson-Houston turbine works at Larne, Northern Ireland, was laid by Viscount Brookeborough on September 29th, 1955.

We stand upon

THE THRESHOLD OF A NEW INDUSTRIAL REVOLUTION

"More than half a million pounds worth of electrical equipment for every working day of 1955."

LORD CHANDOS

Chairman of Associated Electrical Industries

AT the Annual General Meeting of Associated Electrical Industries on 4th April, Lord Chandos, the Chairman, said that the Company's achievements during 1955 had surpassed those in the record year of 1954.

During 1955 the Company shipped to its customers more than half a million pounds worth of electrical equipment for every working day. Over fourteen hundred megawatts of generating plant, equivalent to nearly two million horse power had been commissioned. Record shipments of switchgear, transformers, and cables, had been made including plant for the super-grid as well as for the whole range of electrical distribution both at home and overseas.

In the Industrial field the group had kept well to the fore, particularly in the mining, chemical, steel and paper industries and in railway traction.

Speaking of the Company's agreement with the Indian Government, the Chairman said that the building of large works to manufacture heavy equipment in India, was part of a long term programme of economic development, and that AEI had been appointed as Consultant for a basic period of 15 years. "The Indian Government," he said, "wish to have the most modern plant and layout and we shall bend every effort to meet their wishes."

Lord Chandos stated that at the close of 1955, firm orders in hand totalled £150 million. He emphasised that plans for the future involved large sums. It was becoming evident that industrial expansion must increasingly be financed from retained profits, but the stockholders' investment was not less important. Profits, therefore, must be maintained by increased turnover and greater efficiency, in order to assist in financing expansion as well as to encourage investors. For example the company proposed that dividends should be increased from 14% to 15% costing with preference dividends £2,184,000, but £8,386,000 had been retained in the business.

ASSOCIATED ELECTRICAL INDUSTRIES LIMITED

Crown House, Aldwych, London, W.C.2

An investment in AEI is an investment in all these companies:—
The British Thomson-Houston Co. Ltd. • Metropolitan-Vickers Electrical Co. Ltd.
Blics Ltd. • Coldreth Ltd. • Edison Swan Electric Co. Ltd. • Ferguson Pallen Ltd.
AEI Lamp and Lighting Co. Ltd.
The Hotpoint Electric Appliance Co. Ltd. • Newton Victor Ltd.
Premier Electric Heaters Ltd. • Siemens Bros. & Co. Ltd. • Sunvic Controls Ltd.
Australian Electrical Industries Pty. Ltd.



A
every day
E
every way
I

BRITANNIC ASSURANCE CO., LTD.

OVER £2,100,000 ALLOCATED TO POLICYHOLDERS

SECURITY FOR POLICYHOLDERS £97,500,000

At the Ninetieth Annual General Meeting, held in Birmingham on April 5th, Mr Fredk. A. Powell, FCA, Vice-Chairman, said:

It gives me pleasure to report that substantial progress was made in all branches in 1955. Our premium income in the life branches increased by over £550,000 to £12,230,000, and our total gross interest rose by £430,000 to over £44 million. Policies in force on December 31, 1955, assured with vested reversionary bonuses over £212 million. Increased surpluses have been earned, and over £2,116,000 has been allocated to policyholders. This allocation was nearly £200,000 more than last year, and has enabled us to declare increased bonuses in each of the life branches. Funds held as security for policyholders rose by £6,210,000 to a total of £97,555,000, including Investment Reserves of £7,050,000.

Ordinary Branch new business again increased in 1955, and policies were issued for net sums assured of £7,557,000 on which the annual premiums were £389,000 and the single premiums £69,000. The premium income at £4,076,000 was higher by £173,000. The improving tendency in interest earnings continued, and net interest earned at £1,206,000 showed an increase of £108,000. The net rate of interest was £3 10s. 2d. per cent against £3 8s. 3d. per cent in 1954. Expenses at 11.45 per cent were moderate and at about the same level as in 1954. Death claims at £436,000 were within the expected amount, and satisfactory mortality profits were realised. Surrenders and lapses were lower than last year, and continued the downward trend of recent years.

Claims by maturity at £1,407,000 dropped by £25,000, but during 1956 they will rise very substantially. In 1941 we commenced issuing 15-year term policies participating in profits, assuring sums in 3 per cent Savings Bonds, and during 1956 a large number will mature. The policyholders are entitled to receive a 3 per cent Savings Bond, 1955/56, for the sum stated in the policy, plus a sum in cash in respect of bonuses declared. At the time these policies were issued we did not expect that when they matured the market value of these bonds would be at a 15 per cent discount. The Directors have decided to pay in cash at 100 per cent of the nominal value of the bond, plus the bonuses declared, and our action has been greatly appreciated by policyholders.

In the Industrial Branch the premium income increased by £378,000 to £8,153,000 and the fund by £3,414,000 to £53,096,000. Death claims at £1,681,000 were up by £82,000, but payments to surviving holders of endowment assurances increased by no less than £430,000 to £2,105,000. The percentage of new endowment assurance premiums to total new premiums continues to increase, and last year it reached 91.5 per cent. Twenty years ago it was only 42 per cent, and this is a clear indication of the change in the character of Home Service Insurance. Endowment assurances are essentially savings policies and help in the battle against inflation. The thrift which is exercised through Home Service Insurance has the particular virtue of being regular and persistent because of the weekly or monthly call of the "insurance man."

Net interest earned at £2,291,000 showed an increase of £300,000, and the rate earned on the fund was £4 10s. 6d. per cent—an

increase of 6s. 6d. over the rate earned last year. The expense rate remained unchanged at 26.02 per cent.

I am pleased to be able to report a further reduction in the number and percentages of policies on which payment of premiums was discontinued during the year. This year the percentage has fallen to 2.8, and I hope that as the years go by we shall see yet further reductions. I would remind you that if policies unfortunately have to be discontinued the policyholders receive good value for the premiums already paid, by the grant of paid-up policies for an amount proportionate to the number of years' premiums paid, by the grant of a cash surrender value or by the provision of life assurance cover for periods much in excess of the actual periods of premium payments. Last year 42 per cent of the policies discontinued received proportionate paid-up policies, 32 per cent received cash surrender values, and 26 per cent received extended life assurance cover.

In the Ordinary Branch the Directors, after transferring £125,000 to Investment Reserve Fund, have allocated £936,405 to policyholders, against £857,715 a year ago, and have declared a reversionary bonus on with-profit policies in force on December 31, 1955, at the rate of 38s. per cent of the sum assured, against 34s. per cent a year ago.

In the Industrial Branch an allocation to Britannic policyholders of £1,030,000 has been made, and has enabled the Directors to improve the reversionary bonus scheme by starting with a declaration of 9 per cent of the sum assured after nine years' premiums have been paid. Total bonus additions to premium-paying policies will now range from 9 per cent after nine years to 36 per cent after 36 years.

The voluntary allocations from surplus to Britannic and British Legal Industrial Branch policyholders have now reached a total of over £11,200,000.

Our total assets are now just under £99 million, and at December 31st their value was in excess of the balance sheet figures. Nevertheless, we again increased our investment reserve funds by £475,000, bringing them up to £7,050,000, which is available against any future depreciation.

In our view the "cheap money" policy has been a contributory cause of the inflation from which we have suffered since the war and which has frustrated our achievements in the field of production. We are therefore not sorry to see a readjustment of monetary policy, but it would seem probable that interest rates on fixed interest securities must now be somewhere near high-water mark.

Of the money we had available for investment last year, £2,584,000 has been loaned on long terms to local authorities and £1,698,000 has been invested in debentures. A further £1,022,000 has been absorbed by advances to owner-occupiers of house property through our House Purchase scheme. Under the House Purchase scheme we continued to lend money at 4½ per cent until August last year. We then had to raise the rate for new borrowers to 5 per cent, and since the close of the year we have had to make a further increase to 5½ per cent. We have not, however, raised any of the rates in force on existing mortgages, and many of our borrowers still pay only 4 per cent or 4½ per cent on their mortgages. We look upon our scheme of mortgage coupled with

life assurance as a long-term contract which enables a house-owner to weigh up his commitments before he buys. We hope that we shall be able to continue this policy, which makes our scheme so attractive to a prospective house-owner.

In the Fire and Accident Branch the premium income was £745,000—an increase over the previous year of £67,000. The gross profit of £33,652, although £11,917 down, was not unsatisfactory; the reduction was accounted for by an increase in motor claims. We again thank the British General Insurance Company and their staff for their unflinching helpfulness in the management of this branch of our business.

The success of Home Service Insurance is bound up with good relations between policyholders and staff. The helpful and courteous service rendered to the public by our agents, officials and clerks at the local offices and at our Chief Office is reflected in the results we are able to report to you today. We have again transferred £220,000 to the Staff Pension Fund. Our substantial contributions to the fund are a means of expressing appreciation to our staff who by their efforts have contributed so largely to the Company's progress. I am happy to have this opportunity to express our thanks to them on your behalf.

WESLEYAN AND GENERAL ASSURANCE SOCIETY

The One hundred and fifteenth Annual General Meeting was held on April 10, 1956. Mr A. H. Sayer, MC, JP, the Society's Chairman, in moving the adoption of the Reports, said:

The Ordinary Department Fund has increased by nearly £750,000 and the Industrial Department Fund by more than £500,000. For the first time in the history of the Society new Sums Assured issued in the Ordinary Department exceeded £5 million.

The total Valuation Surplus amounts to £971,134, which includes £179,234 brought forward from 1954. The Directors have applied £310,327 for the benefit of Ordinary Department Policyholders in order to grant reversionary bonuses at the rate of £1 12s. per £100 Sum Assured, which is the same rate as last year. They have also applied £80,000 for the benefit of Industrial Department Policyholders. £300,000 has been transferred to Investments Reserve, £93,000 to the Staff Pension Fund and Staff Widows' and Orphans' Fund, £30,000 to the Outdoor Staff under the Profit Sharing Scheme and £157,807 has been carried forward to 1956.

In July, 1955, the rates of premium under all the Ordinary Department Tables were reviewed in the light of the conditions ruling at the time. It was found possible to reduce the rates quite considerably.

The Society now offers an attractive Collective Assurance Plan designed to enable employees to obtain the benefit of life assurance on most favourable terms. The employer may give financial assistance under the Plan, but this is not essential. The Plan is useful even where an existing pension scheme is in operation.

The Society's finances are sound. The Actuary has been able to report a steady improvement in financial strength every year for many years, and 1955 proved no exception. It follows, therefore, that the outlook for policyholders is bright and attractive, and that membership of this mutual office with long tradition behind it is well worth while.

The report and accounts were adopted.

TELEPHONE AND GENERAL TRUST LIMITED

OPERATING COMPANIES' CONTINUED EXPANSION

SIR ALEXANDER ROGER'S REVIEW

The thirtieth annual general meeting of the Telephone and General Trust, Limited, will be held on April 24th in London.

The following is an extract from the circulated statement of the Chairman, Sir Alexander Roger, KCIE:

Gross income rose in 1955 from £345,049 to £457,996 and after providing £166,600 for taxation, compared with £121,800 in the previous year, Net Profit at £173,900 was up by £58,706. Your Directors recommend a final dividend on the Ordinary Stock of 9 per cent, making a total of 12 per cent for the year, and a dividend of 12 per cent on the "A" Ordinary Stock. We propose transferring £25,000 to General Reserve leaving £156,909 to be carried forward on Profit and Loss Account, compared with £114,746 brought in.

The valuation of £3,491,162 for quoted investments represents an appreciation of £1,891,546 on the net book cost of £1,599,616—a substantial buffer against the fall in market prices such as we have recently experienced. Loans to and Debentures in subsidiary companies have increased by £568,057 to £1,013,927.

The Group Reserves totalling £1,460,296 show an increase of £134,364. The Net Assets of telephone operating and servicing subsidiary companies have increased by £610,886 to £4,277,941.

PORTUGAL

The Anglo-Portuguese Telephone Company has been operating the telephone service in the cities and suburbs of Lisbon and Oporto for 69 years. For the last 28 years the Trust has continued to hold a substantial investment in the APT Company and from that time onwards has been closely associated with the Company in its expansion and development plans.

In addition to day-to-day loans on a mutually satisfactory basis, the Trust and its associates are able to make available to APT the experience of personnel skilled in the telephone business, particularly finance, manufacturing, engineering and research. This association and the valuable support and service arising from it is greatly welcome by the APT Company.

The number of telephones in operation in the APT Company's areas 28 years ago was about 21,000. At December 31st last the number was over 170,000 and is a measure of the contribution made by the Trust and its associates to the activity and enterprise of the APT Company in providing the telephone public of Portugal with the best possible service.

In spite of the year-by-year increase in the number of telephones installed there is no apparent slackening in demand and further expansion of telecommunications is likely with the broadening and increasing industrial development of the country.

WEST INDIES

The telephone operating companies in which the Trust is interested in Jamaica, Trinidad and Tobago, and Barbados continued with their policy of expanding and

improving the telephone services in their respective territories. This costs a great deal of money. Your Company provides the necessary cash initially by way of temporary loans, which are repaid from time to time partly from the proceeds of local issues of capital and partly by the issue of Ordinary Shares to the Trust. During 1955 the Company advanced on temporary loan to these West Indies companies an additional £568,000 towards their capital expenditure programmes, upon which collectively they expended some £877,000 having provided the balance from their own resources.

The Jamaica Telephone Company spent some £452,400 upon gross additions to plant during 1955, and after deducting plant retired from service the Company had gross plant assets with a book value of over £2,270,000 at December 31, 1955. During the year stations in service increased by 2,842 to 22,922.

At December 31, 1955, Trinidad Consolidated Telephones Limited had 23,116 stations in service—a substantial gain of 2,143 stations. Some £342,000 was expended upon additional automatic exchange equipment and the extension of the cable net-work in various parts of the Island, and the book value of the gross plant assets of the Company amounted to over £2,450,000 at the end of the year.

The Barbados Telephone Company expended £82,700 upon plant and equipment during 1955, making total gross plant assets of some £583,000 at the end of the year. Stations in service increased by 396 to 6,275.

SAVINGS AND INVESTMENT

The annual report is published this year at a time when the country's economic position gives ground for concern.

Much that has happened to bring about our present adverse balance of payments position stems from the fact that we have sought to raise our standard of living rather too quickly. The prerequisite of increased national investment is surely increased savings and these latter have not kept pace. As a nation dependent so much upon other countries for the basic materials which are the essential ingredient of our manufacturing capacity economic unbalance is soon upon us if we increased our living standard without providing the savings to justify it.

How to increase savings is surely our main problem if we are determined to maintain our place as an industrial force in the world today.

Those in high places are examining this matter both carefully and critically. Modern lines of thought must be allowed play, for many of our old ideas on encouragement of thrift have proved of little value.

To have overinvested is a fault with much to commend it. We, at least, have striven in the right direction. There is, of course, often but a thin line between enough investment and too much. Let us hope that adequate measures be taken in the future which will enable our economy to achieve a more settled basis, and that these measures however stringent will be supported by all concerned in this country.

ALLIANCE BUILDING SOCIETY

A MOST SATISFACTORY YEAR

Presiding at the ninety-third Annual General Meeting of the Alliance Building Society held on March 28th at Brighton, Mr F. J. Wellman, JP (chairman), said:

The Society has had during 1955 a most satisfactory year of business. The total funds increased from £42,945,280 to £51,140,523, which represents a growth of over 19 per cent during the year, while the number of members and depositors now approaches 75,000.

We decided to increase the interest rate on our shares from August 1st to 3 per cent per annum clear of income tax, which is equivalent to £5 4s. 4d. per cent to investors liable to the standard rate of income tax. The effect of this change was most encouraging. The total receipts in the Share Department for 1955 were in the record sum of £14,007,388.

LIQUIDITY EXCEEDING 18.6 PER CENT

With regard to liquid funds the Alliance Building Society at December 31st last had investments and cash at Bank and in hand totalling over £9,521,000, which is equal to 18.6 per cent of the total assets.

With the wider distribution of national income and the steeply progressive taxation in this country, it is vitally important that all who are able to do so, in however small a degree, should contribute their share to the savings required by the country, and indeed, it is in their own interest to do so. May I therefore urge you with all the sincerity at my command to make the fullest use of the unrivalled facilities offered by Building Societies up and down the country for saving and investment.

Addressing the meeting, Mr Lewis C. Cohen, Deputy Chairman and Managing Director, said: It is vital that the evil of inflation which we see all around us should be controlled, and I am afraid I am one of those who doubt whether exhortations are any substitute for Government action. It is abundantly clear that far more drastic steps will have to be taken before the creeping illness which now affects our economy can be arrested.

Surely the Government must not only encourage savings and assist every section of the savings movement, but must reconsider the general attitude of taking money out of circulation which is at present too lightly spent.

I am sure that if a sense of urgency were communicated to the nation a great deal could be done in this direction.

We in this savings organisation know that we play our part gladly in assisting in some measure to channel the people's savings to a useful purpose, a purpose that can achieve nothing but good for the community. We offer safety and security to the investor in our savings organisation which is a part of the greater Building Society Movement with its assets exceeding £2,000 million, and in a voluntary capacity we help in maintaining the stability of society generally, a society which despite all past setbacks has overcome the winds of adversity which have blown so sadly and strongly against us in the last six months. We shall continue to play our part, knowing that that which we do serves our people well and is part of our national characteristic. The report was adopted.

BORAX CONSOLIDATED, LIMITED

BEST YEAR TO DATE

MR D. ABEL SMITH ON BIG NEW DEVELOPMENTS

The fifty-eighth Annual General Meeting of Borax Consolidated, Limited, was held at Borax House, London, on March 28th. The following are extracts from the circulated statement of the Chairman, Mr Desmond Abel Smith, MC.

The results of the year under review are the best in the history of the Company, having exceeded the 1951 figures which so far had stood unrivalled. This speaks very highly for our executive staff and employees as well as for our agents and representatives throughout the world, and to all of them I would express our thanks and appreciation.

Capital Expenditure of the Group during the year includes the completion of Borax House in addition to normal capital expenditures at your mines and refineries.

STUDY OF COMPANY EXPANSION

As foreshadowed in my Annual Statement last year, your Board has been actively engaged in examining the Company's corporate and financial structure in all its aspects, assisted by our Financial, Technical and Legal Advisers and Auditors.

The examination covers the whole of the field in which your Company operates and of necessity is long and complicated. It falls into three general divisions: (1) the broadening of the Company's activities; (2) the financing of the extension of our operations; and (3) possible changes in the structure of the organisation.

You are fully aware of the policy of the Board to take Stockholders into their confidence as soon as possible and this has been fully demonstrated by the letters I have sent to Stockholders during the past year. We had very much hoped to be able to complete our studies by this time so that full particulars could be given at the Annual Meeting and it is with great regret that we are unable to do so. I can assure you that as soon as ever possible full details will be circulated to you.

As you know, your Board last October authorised the start of work on the big new development in the United States which has been under study for some years and to which reference has been made on several occasions.

Although underground mining, which has been used at Boron for many years, is a very efficient operation, it will now give way to open cast (surface) mining. This new method of winning our ore is the result of various experiments carried out in recent years in order to determine how best to recover a larger percentage of the ore available in the Boron deposit.

ECONOMIES IN OPERATION

Recent developments in equipment have made open cast mining economically practicable at Boron.

As stockholders have also been advised, new concentrating and refining plants are being built at Boron, which will also lead to high production and lower costs. In the past all refining operations in the USA were carried out at our large factory at Wilmington, California, over 200 miles away by rail. Due to the long railway haul the economics of this operation have always required a high-grade feed of ore to the plant. The lower-grade ores which the open cast opera-

tion will produce made it economically necessary and desirable to avoid the railway haul from Boron to Wilmington and thus for the new refining process to be located at Boron. The savings in railway freight on the tonnage of higher-grade ore transported in the past are very appreciable. With lower-grade ore resulting from open cast mining the savings will run into very high figures. The possibility of combining the concentrating and refining operations as far as ore handling, product loading, etc., are concerned, also presents an extremely attractive picture. During recent years the development of equipment has been such that a great many advantages will be obtained by erecting a new plant with all modern devices obtainable.

It is gratifying to be able to inform you that our current year, which is now six months old, shows every prospect of being as satisfactory as the year under review. I hesitate to look far into the future but, unless there is a general recession throughout the world, your Company's business should remain satisfactory. With the expansion of world population and the improving standards of living throughout the world, the demand for our products should grow.

MANY USES OF BORON

The strength of our position lies in the fact that Boron in one form or another is used in so many different industries. Our products are sold to well over a hundred industries, of which the major users are glass, porcelain enamel, weed control, fertilisers, detergents, soaps, anti-freeze, starch and adhesives, etc. The largest single use is for glass.

We have during the past year added new products to our list and we continue our research in this country and in the USA, looking for further ones.

Another interesting new development during the last twelve months has been the production of Elemental Boron on a commercial scale and of a quality not previously produced in commercial quantities. One of its prospective uses is in atomic energy power plants as a neutron absorber for controlling the nuclear reaction and for some types of shielding materials.

US POTASH COMPANY

Our investment in the United States Potash Company continues to yield satisfactory results. The bonus dividend paid in December, 1954, and referred to in my last statement, is reflected in the increased income from our Trade Investment. You will also note that the market value of this investment was higher on September 30th last than it was a year previously. Since our accounts were prepared there has been a further increase in the market value of this holding.

Addressing the Meeting, the Chairman said: In the statement which I circulated to you I told you that studies of the plan which we have been working on had reached a critical stage. I can now amplify this. Resulting from the review we have been engaged in and the studies we have been making together with our Financial Advisers, we have agreed on a plan and the first steps in accomplishing it have already been taken.

The Report and Accounts were adopted.

UNITED SERDANG (SUMATRA) RUBBER PLANTATIONS, LIMITED

SIR ERIC MILLER'S SPEECH

The forty-eighth annual general meeting of The United Serdang (Sumatra) Rubber Plantations, Limited, was held on April 6th at 19 Fenchurch Street, London, E.C.

Sir Eric Miller (Chairman) presided and in the course of his speech said:

The local currency net profit of the group for 1954/55, at Rp10,424,033, after providing no less than Rp14,974,687 for Indonesian Company Tax and the levy on estimated remittable profits, was almost treble the corresponding figure for 1953/54. The striking increase is attributable to the relatively high average price of rubber during the period, which temporarily overshadowed a further disturbing increase in the unit cost of production.

In the space of two years, despite every prudent economy, local inflation has forced our estate cost up by the equivalent of nearly 3½d. per lb. As wage increases were only partially reflected in our 1954/55 accounts, working expenses are likely to be higher in the current year, but we are getting better crops and some alleviation will arise from lower export duties.

No authority for remittance has yet been granted in respect of our 1954/55 Indonesian currency profits, nor is it yet known when, or to what extent, this will be forthcoming.

REMITTANCES

The sterling profit and loss account shows that remittances from Indonesia during the year under review amounted to only £26,288, which was less than sufficient to cover sterling disbursements, with the result that there is a debit balance for the year of £6,396. As against this we were able to bring in credit items, as detailed, and the amount brought forward from the previous accounts, which together make the available balance £101,732.

The dividend of 6 per cent less income tax is the same as for the previous year and the amount thus distributed is £49,103, leaving a credit balance of £52,629 to be carried forward.

NEW GOVERNMENT

Since the close of our financial year the Indonesian Republic has held its first General Election, in which the Nationalist and Masjumi (Moslem) parties ran neck and neck, with the Nahdatul Ulama (another Moslem party) a good third. The formation of a coalition Government has been completed, giving proportional representation to these three and to a few of the smaller parties, but excluding the Communists.

Many speeches have been made by Mr A. L. Mathewson and myself in recent years at Plantation Company meetings setting out in the simplest possible terms the prerequisites for a restoration of confidence in the potentialities of Indonesia as a safe area for investment in rubber growing on modern lines. We are having these matters brought to the attention of those now in power, and it is to be hoped that the new Cabinet will act with all possible speed on these representations, which are applicable over a much wider field of investment in the Republic.

The report was adopted.

HARRODS LIMITED

RESULTS CONSTITUTE A RECORD

SIR RICHARD BURBIDGE ON PROBLEM OF RISING COSTS

The sixty-sixth annual general meeting of Harrods Limited will be held on April 23rd at the Company's Premises, Brompton Road, London, S.W.1.

The following is an extract from the circulated statement of the Chairman and Managing Director, Sir Richard Burbidge, Bart, CBE:

I reported last year that negotiations were proceeding for the purchase of a freehold and leasehold site in Birmingham. The negotiations with the Corporation came to a successful conclusion. To finance this development the Directors decided to issue the balance of the 677,209 Ordinary Shares of the Company. The net proceeds of the issue amounted to £1,591,677 and were sufficient to cover the £1,586,018 at which the Birmingham properties stand in our books. We have also arranged to buy the well-known drapery business of Rackhams Limited. Your Directors are confident that this project will prove a valuable extension to the Group's activities.

The accounts give a full picture of the result of the trading of your Stores for the year ended January 31, 1956, and I feel sure you will consider this result satisfactory. The amount of turnover, gross profit and net profit were all the highest in our history, but it has not been easy to obtain the increase in turnover necessary to counteract the ever-increasing expenses, and although the trade of each of the different businesses increased, this was not always sufficient to earn an increased net profit.

The total gross profit and other income of the Group was £8,263,047, an increase of £488,899, but on the other hand expenses at £6,099,651 were £322,663 more than last year, so that the profit before taxation shows an increase of £166,236 at £2,163,396. The Consolidated Net Profit is £971,939 and is £230,738 more than last year. Of this profit £191,610 or £62,662 more than last year is retained by the Subsidiary Companies as additions to their reserves, and the balance remaining to be dealt with by Harrods Limited is £780,329, an increase of £168,076.

The directors have appropriated £100,000 for Buildings Reserve, the same as last year, and £75,000 to Contingencies Reserve, and after allowing for the dividends on the Preference Stock and the interim dividends on the Ordinary Stock, recommend the payment of a final dividend of 12½ per cent on the Ordinary Stock. This final dividend will make a rate for the year of 17½ per cent on the Ordinary Stock. The balance of Profit unappropriated is £49,799 and the amount of profit carried forward £418,584.

Consolidated Balance Sheet: Total Current Assets at £10,093,696 exceed Current Liabilities (including Banking Department Balances) by £4,009,281.

HARRODS AND SUBSIDIARIES

I am pleased to say Harrods of Knightsbridge, which is responsible for more than half the turnover of the Group, had a very good year and created a record in turnover and profit. This was due, I am sure, to the ever-growing reputation and popularity of your famous store.

Kendal Milne & Company in Manchester have been affected, I think, by the recession in the textile trade, but they show a reason-

able increase in turnover. I am sure we can look forward to steady improvement here.

The sales of D. H. Evans of Oxford Street again increased but not sufficiently to counteract their increased expenses.

In Regent Street, the results of Dickins & Jones showed an increase in their turnover and a slightly larger net profit, but the rate of progress of the last year or two was not maintained. I am looking forward to better results.

The improvement at John Walsh of Sheffield continues both as regards turnover and profit, their percentage increases being one of the highest of the Group. At times they are beginning to feel the need of extra room and we shall have to consider soon the advisability of the addition of the upper floors.

Henderson's of Liverpool did not make quite as much net profit as last year, although their trade increased, but I am more than satisfied with the progress they have made in recent years. I am quite happy about the future prospects of the business.

PURCHASE TAX

The Retail Trade was very disturbed that in the Autumn Budget debates the Chancellor stated that he was making use of Purchase Tax as a flexible instrument of fiscal policy to influence the trend of consumer purchases. Our Trade Association has constantly pointed out to the Chancellor the disruption caused by mid-season tax alterations and the injustice to retailers of having to bear the burden of all losses due to such alterations. This is a thoroughly bad tax at all times, but when changes take place in the middle of the season great dislocation and confusion ensue particularly when goods have been advertised. In the case of an increase in tax we maintain the lower prices as long as possible whilst when the tax is decreased we immediately reduce prices with a consequent loss to ourselves.

If the Chancellor intends to retain this tax over the next few years it is essential that the whole structure of the tax should be critically examined so that the Retail Trade should not continue to bear the unfair burden of all the losses.

PROSPECTS

The Retail Trade generally is facing the coming year with more uncertainty than for many years past. The one certainty is that expenses are going to continue to rise and the new burden of increased rates alone, in our Group, is estimated to be over £100,000 in a full year. Added to this we now have a determined drive by the Government to restrict spending at home. Stores selling better class merchandise should feel the effects first, but in our Group we serve a wide section of the public and should benefit from the fact that with employment at a high level and the recent increases in wage rates, more money will be in circulation. We shall, however, have to fight hard to get sufficient increase in trade to take care of the rising expenses. Your management is alive to this, and while perhaps we may not be able to show you another record, I feel that we shall produce satisfactory profits this time next year.

ARISTON GOLD MINES

MAJOR GENERAL W. W. RICHARDS SPEECH

The twenty-sixth annual general meeting of this company was held on April 10th in London.

Major General W. W. Richards, CB, CBE, MC, chairman, said: Productive operations were resumed on the Mine on February 27th last. The General Manager now reports that during the month of March 31,330 tons of ore were crushed for a gold recovery of 7,747 ozs, showing an estimated revenue of £96,450 and a working profit of £8,746. We hope that the current month's production will be back to normal, as Mr R. Clelland reported that an appreciable amount of gold has been locked up in the plant by way of plant absorption, which is to be expected on resumption of operations after shut down of gold treatment plant.

Our General Manager, together with our Consulting Engineers and Industrial Consultants, West African Gold Corporation Ltd., are now actively preparing the comprehensive underground development programme to be embarked upon. The work will be started as early as practicable, after ensuring that there will be no interference with current production. The intention is to open up the lower sections of the Mine down to the 30th level.

Work has been resumed in the Gamma section of the Mine, which is between our most southerly workings and the Gold Coast Main Reef Ltd. areas. Driving North on the 3rd Level has been restarted. Reef has now been exposed on this Level showing values of 14.82 dwts over 77.8 inches, equal to 1,153 inch-dwts., for a distance of 140 feet. Driving South on the 6th Level will be resumed as soon as it has been equipped, in order to explore the area between the Gamma Shaft and the boundary. Old records indicate high values on the 2nd and 3rd Levels in this area.

Members will appreciate that the Company's cash position does not permit resumption of payment of Dividends at this time, but, as mentioned in my printed Review, this matter will be the first concern to the Board as and when the progressive results for the remaining six months of the current financial year become available.

General.—I visited the Gold Coast recently and called a conference at Takoradi of Mines Managers and Consulting Engineers, when policy was laid down, and I took the opportunity to congratulate the Staff on the excellent recovery they have made and the rapid resumption of operations.

The following is an extract from the Chairman's Review and the Report of the Directors for the year ended September 30, 1955: The activities of the Company have recently been overshadowed by the general strike of African employees in the Gold Coast gold mining industry for a 15 per cent all round increase in wages, back dated to October, 1953, which lasted for just over three months from November 20, 1955.

The profit for the year amounted to £206,274, which with the balance brought forward makes a total amount available of £284,984. The Board recommends the transfer of £130,000 to General Reserve, and the allocation of £10,000 in respect of "new additional taxation, etc." which latter is to cover the increased charge due to the provision for African Gratuities not being allowed for tax purposes. The amount to be carried forward to the current year will then be £80,297, as against £78,710 brought in. The report was adopted.

THE SCOTTISH LIFE ASSURANCE COMPANY, LIMITED

YEAR OF MANY RECORDS

Mr Charles R. Munro, CA, Chairman of the Board of Directors, presided at the annual general meeting of The Scottish Life Assurance Company, Limited, held in Edinburgh on April 4th.

In moving adoption of the report and accounts for the year ended December 31, 1955, the Chairman said:

NEW BUSINESS—SIXTH SUCCESSIVE RECORD YEAR

The net new business of 1955, after deduction of re-assurances, amounted to £8,777,278. As mentioned in the annual report, this is an increase of 28 per cent on last year, and is more than double the amount written in 1950, the closing year of the previous quinquennium. Group life assurance business included in the above total, £1,364,449, is very nearly twice the corresponding amount for 1954. There has also been a substantial increase in new deferred annuities effected in connection with pension schemes.

LIFE AND ANNUITY REVENUE ACCOUNT

The continued increases in our new business have naturally resulted in increases in premium income. A year ago I referred to a record increase of 15 per cent over 1953. In 1955 this record has been surpassed; the premium income is 22 per cent above that for 1954 and has for the first time exceeded the £2 million mark. Investment conditions during the year have been favourable and there has been a marked increase in the rate of interest earned on the Company's funds. The gross rate of £5 12s. 8d. per cent compares with £5 5s. 4d. per cent for 1954, the corresponding net rates, after deduction of income-tax, being £4 16s. 11d. per cent for 1955 and £4 9s. 3d. per cent for 1954. Claims by death at 47 per cent of the expectation are again light.

BALANCE-SHEET

During 1955 there was a marked fall in the value of Government stocks and other fixed-interest securities, but this was counterbalanced by an increase in the market prices of ordinary stocks and shares. The Company has a very substantial holding of equities in the United Kingdom and also in the United States and Canada, and at the end of the year the market value of our total assets, despite the depreciation in fixed-interest investments, was well in excess of the book value. Notwithstanding the fall in the value of all classes of investment which has since taken place, our assets are still worth considerably more than the figure at which they stand in the balance-sheet.

QUINQUENNIAL INVESTIGATION

As you will have seen from the Actuary's statement appended to the annual report, the quinquennial valuation as at December 31, 1955, has revealed a very satisfactory position indeed. As a result the Directors have declared a bonus on full-profits Policies at the rate of 48s. per cent per annum, equal to the highest rate ever declared by the Company. Interim bonus additions on full-profits Policies which become claims during the

current quinquennium will, until further notice, be at the rate of 46s. per cent.

SEVENTY-FIFTH ANNIVERSARY

Early next month the Company attains the 75th anniversary of its foundation in May, 1881, by the late Sir David Paulin. It was a bold venture at a time when there were in Scotland so many long-established and successful life assurance institutions; but Sir David's energy and enthusiasm overcame all obstacles, and from a very early stage in its career the Company became a serious competitor to its older rivals. Whether measured by new business, life funds, or premium income, the progress it has made in its first 75 years is outstanding.

THE ATTACK ON INFLATION

The fall in the value of the pound is very much in our minds in these days. One remedy for this continuous inflation is to reduce consumption and increase saving. Among the strongest influences in this direction I count the activities of the new business staffs of the Life Offices, and as our figures show, our own field staff have not been unsuccessful in diverting money from purposes less essential, or even harmful, to the national economy, into that important form of saving which is represented by life assurance premiums. There is still, however, much scope for their efforts; the average amount of life assurance per head in this country compares very unfavourably with that in the United States and Canada.

SELF-EMPLOYED PERSONS

I find that at each of the last five annual general meetings of the Company I have referred to the Millard Tucker Committee on the Taxation Treatment of Provisions for Retirement. The Committee's report was issued more than two years ago and still no steps have been taken to remedy the disadvantages to which professional men, shopkeepers, and other self-employed persons are subject as compared with employees.

There is a clear case for action by the Government to end discrimination against the self-employed person, and once again I express the earnest hope that speedy attention will now be given to this important subject.

OFFICIAL CHANGES

Mr Penn, our General Manager since 1946, who entered the Company's service in 1922, is now approaching the retirement age, and although he will not be leaving the Company's service until the autumn, it is proper that I should today take advantage of this opportunity of expressing here on behalf of the Board, shareholders and policyholders our appreciation of the efficient manner in which he has discharged his duties, first as the Company's Actuary, then as Secretary, and finally as its General Manager.

We are fortunate in having a particularly strong team of capable Officials at the head office, so that the succession creates no problem. In the meantime, the Directors have appointed Mr J. G. Wallace, MA, FFA, formerly Secretary, to be Deputy General

Manager and Mr J. M. Denholm, MA, FFA, formerly Deputy Secretary, to be Secretary. The Directors have every confidence that under these young but experienced Officials the proud record of the Company will be maintained and we hope enhanced.

DIVIDEND

The Directors recommend that the final dividend for 1955 be raised to 6s. per share, making the total for 1955 10s. per share as against 7s. 6d. for 1954. As stated in the report and accounts, they intend to declare in due course an interim dividend for 1956 at the same rate as for 1955, i.e. 4s. per share; and it is hoped to maintain the total annual dividend at 10s. per share.

The motion was duly adopted.

REFUGE ASSURANCE COMPANY, LIMITED

INCREASED REVERSIONARY BONUSES TO POLICYHOLDERS

The Chairman, in a statement submitted with the 1955 accounts, mentioned the necessity of long-term savings in the national interest, and the part that savings organisations play in accumulating small individual sums to provide the vast amounts of capital the country requires. He referred in particular to the work of the Life Assurance Companies and stressed that Life Assurance is an ideal way of helping oneself whilst playing one's part in assisting the community to combat inflation.

The combined new sums assured of £33,600,000 in the Life Branches was the greatest yet written by the Company in any year, and the sums assured and bonuses in force had increased to £345 million. The total assets of the Company were £141 million.

ALLOCATIONS TO POLICYHOLDERS

In the Ordinary Branch a surplus of over £1,500,000 was allocated to policyholders to provide a bonus on with-profit policies at the rate of £1 14s. per cent. on the sum assured in respect of each year's premium due in 1955 and paid. This rate was an increase of 2s. per cent over that of 1954.

In the Industrial Branch £1,200,000 was allocated to policyholders to provide a reversionary bonus to premium-paying policies (with certain exceptions) at the rate of £1 per cent on the sum assured for policies dated 1940 and earlier, and £3 10s. per cent for policies dated 1951, it being the first time that the latter class has participated. The conditions under which paid-up policies were granted at advanced ages had also been improved and certain other increases in benefits continued.

HOUSE PURCHASE SCHEME AND INVESTMENTS

During the year £4,900,000 was advanced on House Purchase mortgages, increasing the total advanced on mortgages and loans to £24 million. In addition, the Company has assets of £54 million invested with the British Government or Local Authorities, £37 million in Debentures and Preference Stocks and £16 million in Ordinary stocks. These investments have provided finance for many projects, national and local, and in diverse industries, to the great advantage of the community as a whole as well as of the policyholders, for the due performance of whose contracts the investments are held.

HARRODS (BUENOS AIRES), LIMITED

PRESENT AND PROSPECTIVE GENERAL SITUATION

INCREASED STERLING RESOURCES

PROBLEM OF LOCAL WORKING CAPITAL AND PROFIT REMITTANCES

The 43rd Annual General Meeting of Harrods (Buenos Aires), Limited, will be held on April 26th at Winchester House, Old Broad Street, London, E.C.2.

The following is a précis of the review by the Chairman, Mr F. A. Stacpole, which is being circulated to shareholders.

HIGHLIGHTS OF THE PRESENT POSITION

(a) At August 31, 1954, the group had sterling cash assets in London of £457,000. Now our corresponding sterling resources are about £1 million, after paying out nearly £223,000 in October last to bring the preference dividends up to date.

(b) Our peso profits in Argentina for 1954-55 at 21 million are greater by about one-third than those of 1953-54 (which in themselves showed a marked recovery after the setback of the previous year). The improvement was due to greater volume, both monetarily and in physical quantity, because in order to assist our large circle of customers we reduced our rate of gross profit. It is gratifying to see the appreciation of our efforts reflected in the figure just quoted. A satisfactory trend of trading is being maintained in the current year.

(c) These results were achieved in a period of eighteen months, marked by both political and economic upheavals in Argentina during which the capital and other cities suffered bombardment and three presidents followed one another in a matter of weeks.

(d) Let me give you a striking example of how the depreciation in the peso exchange increases the cost to us of remittances. The remittances totalling £2,200,000 which we received during the seven years to August 31, 1954, cost about 44 million pesos. Since April, 1955, we have received remittances of about £780,000 which cost us about 56 million pesos. But 56 million pesos today, were it possible to carry out such a transaction in one operation, would only produce about £470,000.

RÉSUMÉ AND CONCLUSION

This résumé also deals with some of the points which have been raised in press commentary or by shareholders.

(a) Trading profits for the first half of the current year appear likely to be better than those of last year's. It is too soon to express views about the second half-year, more especially as the Argentine authorities, not unlike their opposite numbers in Whitehall, are tending to suggest that the inevitable rises in costs can be met out of the profits of commercial and industrial enterprises, without passing them on in the form of higher prices to the consumer. As you have seen, we have already gone some way in reducing our margin of gross profit, and we cannot always rely on this being recouped by

a sufficient increase in sales or by a stabilisation of operating costs. The situation in this latter regard is made no easier by the 10 per cent increase in remuneration effective from February 1, 1956, which has just been decreed.

(b) The Board is giving serious thought to the possibilities of raising further working capital in Argentina, whether by the sale of surplus properties, by mortgages or otherwise. In the foreseeable future they do not seem likely to contribute more than a partial solution to our problem. In any case, caution should be exercised in mortgaging or selling real estate until it can be seen how the depreciation of the exchange value of the peso will be reflected in property values.

(c) Unless something on a sizeable scale can be done on the above lines, our working capital requirements in Argentina make it unlikely that we shall be able to bring back home any but the smaller part of our past unremitted profits. Indeed, we may have also to leave annually a proportion of future profits in Argentina for this purpose if price levels continue to mount.

(d) If, on the other hand, a definitely deflationary policy were made effective in Argentina, our liquid position might be temporarily eased, but we should probably have to pass through a difficult trading period during which profits might be small. The example of our 1952-53 will be fresh in the minds of many of you.

(e) There is no present indication of a buyer being interested in the undertakings of the company as a whole, if only for the reason that they are so big that their acquisition would represent a major operation.

Finally, let me leave two thoughts in your minds.

On the one hand it is our duty to be prudently cautious in the picture we present to you. In particular, you should not forget the words at the end of my last year's review—"these shares do not meet the requirements of the investor who is looking for a regular and assured source of income." This is an enterprise wholly dependent on operations in South America, an area where, as everybody knows, currency difficulties and political disturbances occur in addition to the ordinary risks of commerce.

On the other hand you should remember that you have a very large and healthy business in Argentina, and a financial situation in London which, after bringing the payment of the preference dividends right up to date, is stronger than for many years past.

This position, achieved at the end of one of the most difficult decades in modern Argentine history, gives not only the Board but also everyone in our service, grounds for confidence that the Company will be able to surmount the probably lesser difficulties of the next few years.

WESTERN SELECTION & DEVELOPMENT

MAJOR GENERAL W. W. RICHARDS' STATEMENT

The twenty-sixth annual general meeting of this company was held on April 12th in London. Major General W. W. Richards, CB, CBE, MC, Chairman, presided.

The following is an extract from his statement circulated with the report and accounts for the year ended September 30, 1955.

The strike of African mineworkers in the Gold Coast Colony which began on November 20, 1955, and ended on February 27, 1956, has seriously affected the economy of the gold mining companies in which we are largely interested.

After providing for income tax on dividends received the profit for the year amounted to £102,066. We recommend the payment of a dividend for the year of 10 per cent less tax.

The bulk of our investment holdings are in mining companies in West Africa. Our investments at September 30th last had a Market Value of £1,056,869 against a Book Value of £1,088,641. Our holdings in Companies mining for tin and columbite in Nigeria continue to yield satisfactory results.

Canada.—During the period under review a Canadian Company under the title of Anglo Barrington Mines Limited was registered in the province of Manitoba, to prospect, develop and exploit nickel, copper and uranium claims acquired in the provinces of Saskatchewan and Manitoba.

The report and accounts were adopted.

THE RIO DE JANEIRO FLOUR MILLS AND GRANARIES

The Seventieth Ordinary Annual General Meeting of The Rio de Janeiro Flour Mills & Granaries, Limited, was held on April 4th in London.

The Chairman, Mr G. McT. Sheppard, in his address referred to the fact that, although the accounts for the year ended September 30, 1955, showed an increase in the Group's Trading Profit of nearly four and a half million cruzeiros compared with the previous year, upon conversion the Group Trading profit for the year had declined from £668,444 to £642,525.

The trading of the flour mills of the Group had again been disappointing, the main contributory factors to this being the insufficient and irregular wheat supplies made available to the mills. With regard to wheat supplies for the current year, the outlook appeared to be reasonably good. The Brazilian wheat crop now being harvested showed promise both as to quality and size. The Ministry of Agriculture had raised the price of this wheat to Cr.420.00 per bag of 60 kilos placed up country—an increase of 40 per cent on last year's price!

As regards prospects in Brazil for the current year, it would seem that unless really drastic steps were taken soon to combat the problem of inflation, the outlook for 1956 would be difficult.

The report was adopted, and the final dividend of 6 per cent and bonus of 4 per cent, making 14 per cent for the year, was approved.

NATIONAL BANK OF EGYPT

FAVOURABLE ECONOMIC DEVELOPMENTS

DR AHMED ZAKI SAAD'S REVIEW

The fifty-sixth annual general meeting of the National Bank of Egypt was held in Cairo on March 28th.

Dr Ahmed Zaki Saad, Governor and President, in the course of his speech, said:

Economic developments in Egypt, during 1955, may be regarded as favourable on the whole. The monetary situation has remained stable. Commercial banks have consolidated their position and the stock market was active. The Futures market, which remained closed for about three years, was re-opened. Measures were taken to liberate the cotton market from artificial influences which vitiated the effect of the normal relationship between supply and demand. Import entitlement arrangements which led to discriminatory and multiple currency practices have been abolished. Investment activities have continued to expand, and the preliminary arrangements for constructing the High Dam are nearing completion.

Nevertheless, there has been a heavy demand throughout the year for foreign exchange, in growing volume, specially for the purposes of development. The result was an excess of external payments over receipts which is provisionally estimated at about £E35 million.

MONETARY SITUATION

The monetary situation has been characterised by stability. While the money supply has increased despite a fall in the currency circulation, prices have not risen during the year. The cost of living index has remained unchanged while the wholesale index rose by 2.6 per cent. The tendency of the banknote circulation to decrease has continued since 1952 and has resulted in a total contraction which amounted to 10 per cent up to the end of December 1955. The other component of the money supply, namely the deposits, have risen considerably, during the same period, by about 25 per cent. The total money supply rose during 1955 from £E443 million at the end of 1954 to £E458 million at the end of 1955 or by 3.4 per cent.

The increase in the money supply was due to the expansion in bank credit and the growing Government expenditure arising mainly from the execution of development projects.

COMMERCIAL BANKS

The Commercial banks have consolidated their position considerably during the year by employing the increase in current, time and savings deposits to strengthen their cash and balances with the National Bank of Egypt. Their reserve ratio rose from 17.0 per cent at the end of 1954 to 22.2 per cent at the end of December, 1955. The loans and advances granted by banks were at the end of 1955 at the same level of £E127 million as in December 1954. The notable feature of the position is an increase of bills discounted from £E17.7 million to £E20.7 million, which has had its counterpart in the volume of bills rediscounted with the Central Bank. Since the reserve position of the banks has been considerably strengthened, they may look forward with confidence to carrying out their functions of financing the economy in the current year.

As regards foreign trade in 1955, the total value of exports remained at the level of last year, i.e. about £E138 million. There was a slight reduction in the quantity of raw cotton exported, from 6.4 million to 6.2 million cantars with a fall in the value from £E113 to £E107 million, but the improvement in exports of other articles, especially of rice from 47,000 tons in 1954 to 182,000 tons in 1955, with a corresponding increase in value from £E2.6 million to £E7.3 million, bridged the gap. The increase in rice exports is due to an abnormally large crop, the reduction of the export tax and a flexible export policy. Cotton yarn maintained the same high level reached in 1954, i.e. £E4.4 million. Imports rose considerably from about £E161 million to £E183 million, and the perusal of the list of imported goods shows that the main increases took place in machinery for industry and agriculture of which the value was more than doubled, in electrical machinery and apparatus and in motor-cars and iron and steel, which shows that the main increases were for productive purposes.

An interesting feature in the development of imports is the indication of saving in foreign exchange through industrialisation: as a result of the extension of the Government Refinery at Suez the imports of petroleum products fell by £E3.7 million while the imports of Crude oil rose only by £E2.7 million. The imports of fertilisers fell from £E11.2 million to £E9.5 million, because of the increased local production. Imports of cotton piece-goods and rayon decreased for the same reason. In a number of countries expenditure by tourists represents a considerable part of the "invisible" sector of foreign exchange receipts. We feel sure that our authorities are alive to the need of fostering this source of revenue which already is yielding satisfactory results.

COTTON

A major event for Egyptian cotton is obviously the Government's decision to re-open the Alexandria Futures Market—a decision which was welcomed warmly by trading circles both here and abroad.

Given a continuation of that healthy state which our market has shown thus far ensuring the prevalence of reasonably competitive prices, it is not improbable that the present flow of exports will continue, resulting in a smaller carry-over. It is thus possible for the country to look forward to starting the coming season with a sound statistical position which will enable us to maintain our position whatever policies other producing countries may embark upon.

The Egyptian economy is now in the midst of a transition period. We are entering a time of increased investment activity which should lead ultimately to considerable increases in productivity to face an ever increasing population and to secure a higher standard of living for the people. Inevitably such investments take time to yield results.

The Profit and Loss Account shows a gross profit of £E2,675,510 as against £E2,404,298. Expenses show an increase of £E265,529. The net profit amounts to £E636,448 compared with £E630,764. This enables us to propose a dividend of 20 per cent. The report was adopted.

CALEDONIAN INSURANCE COMPANY

The 151st Annual General Meeting of the Caledonian Insurance Company will be held on May 10th in Edinburgh. The following is an extract from the circulated Statement by the Chairman, Mr W. H. Fraser, WS:

Life Department: For the third year in succession we wrote a record amount of new Life business. After deducting reassurances the new Sums Assured, including Group Life business, amounted to £3,918,585 as against £3,573,348 written in 1954. Due to an increase in our Staff Pension Schemes business, Annuity Bonds securing £327,755 per annum were issued as compared with £266,658.

The Life premium income at £1,123,801 shows an increase of £37,262 and interest income at £493,290, after deduction of tax, shows a very satisfactory increase of £69,243. The net rate of interest earned on the Life Fund was £4 per cent as compared with £3 12s. 10d. per cent a year ago. While the amount paid in respect of death claims has increased, mortality experience continues to be favourable. General expenditure has increased and our expense ratio is 16.5 per cent compared with 16.0 per cent. The Life Fund now stands at £12,993,608, showing an increase for the year of £788,044.

Fire Department: The premium income for 1955 was £3,302,250, an increase of £208,091.

We again experienced satisfactory underwriting results in the Home Department. In the Overseas field, apart from the North American Continent where our adverse experience continued, the excellent progress made in recent years was fully maintained. Due to a reduction in the reserve required for long-term business the additional provision has been reduced by £45,000 and the sum of £296,355 has been transferred to the Profit and Loss Account.

Accident Department: The premium income was £4,081,466, a record for the Company and an increase of £279,964 over 1954.

We had hoped the revised rating structures in the Motor Section in many areas would have ensured an improved world-wide experience in this section, but this year we have suffered heavy losses, with the result that while the other sections of the Department produced satisfactory profits the account as a whole shows a loss of £41,865, which sum has been transferred to the Account from the Profit and Loss Account.

Marine Department: The Fund at £933,957 represents 201 per cent of the premium income which compares with last year's percentage of 194. The sum of £70,000 has been transferred from the Account to the Profit and Loss Account. This transfer arises as a result of profitable trading in recent years, but it should be noted that we may not experience such favourable results in the immediate future years on account of the intense competition in this Department.

The total premium income for all Departments was £9,316,904, the corresponding total for 1954 having been £8,738,888.

Profit and Loss and Appropriation Accounts: The amount of interest, dividends and rents (less tax) not carried to other Accounts was £196,244.

The balance for the year transferred to the Appropriation Account was £328,603 after providing for taxation.

The Directors' recommendations for dealing with the surplus are stated in the Report, and if approved the balance carried forward is increased by £110,478 to £703,482.

or call at 30 Queen Victoria Street, London, E.C.4.

UNIVERSITY OF CAMBRIDGE

Applications are invited for three posts of Assistant Agricultural Economist to undertake research in agricultural policy, (b) agricultural production and (c) horticultural production. Qualifications should include a degree in agriculture or economics, and a knowledge of the structure with training in the economics of agriculture or horticulture. The closing date for applications is 1.11.64. Successful candidates will be given to applicants on a temporary basis. Applications should be sent to the Secretary, School of Agriculture, University of Cambridge, Cambridge.

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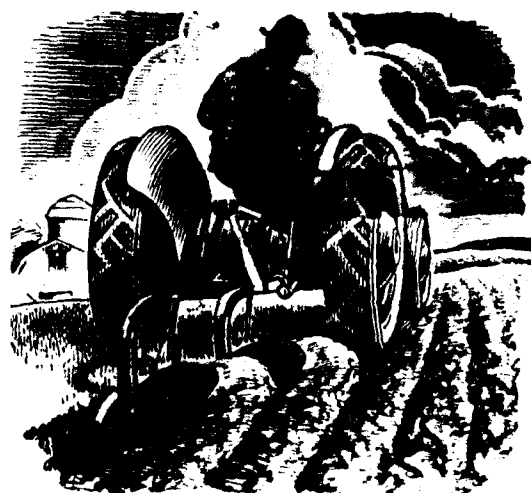
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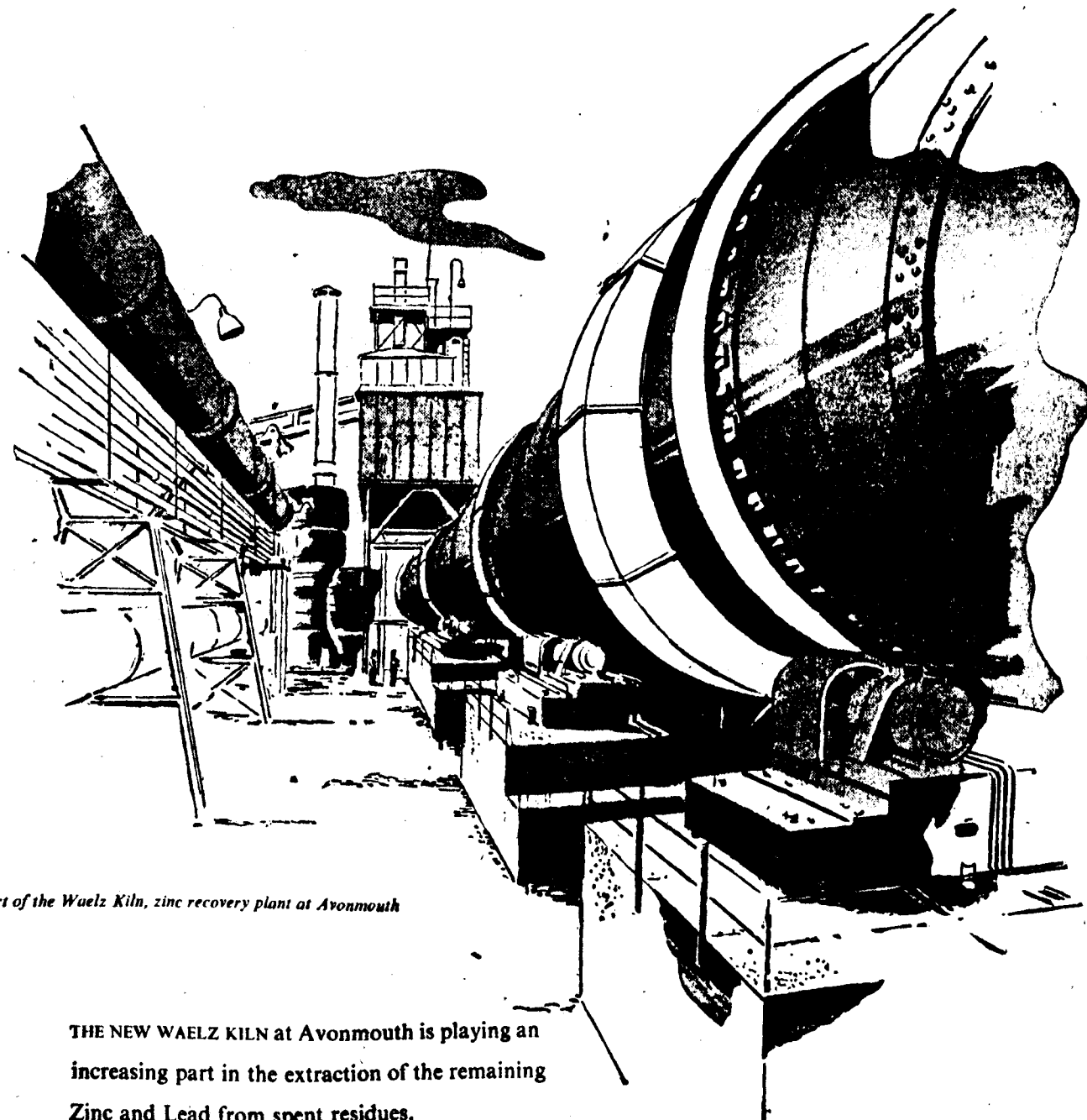
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WHEN Mr. Devoncroft recently accepted the vicar's invitation to be on the committee of the Church Fabric Fund, nobody was surprised. Often he is asked to serve on committees, and almost as often he consents—for, like most busy people, he can usually find time to take on yet another commitment. Mr. Devoncroft, a man in his mid-thirties, holds a senior executive position at a large engineering works in Warwickshire; and there he is respected as much for his personality as for undoubted competence at his work. At the factory or at home, he is one of those people to whom others inevitably bring their troubles, knowing that they will receive complete understanding allied with shrewd practical advice. He is on the Parish Council, adviser to the Youth Club, and prominent in local Civil Defence circles. His inventive mind appreciates useful gadgets that save time and labour but, being a skilled amateur carpenter, he has the craftsman's dislike of shoddy workmanship. Because his impact on those around him stems from happy personal relationships with people from all walks of life, his decisions

and judgments are valued, his preferences and tastes noted. He and his wife take *The Listener* because like many others, they unaccountably miss broadcast talks; previously marked as a "must" in *Radio Times*. He also turns with interest to the numerous articles in *The Listener* on social, economic and historical problems, and enjoys pitting his wits against a weekly crossword that ranges from the intriguing to the frankly diabolical. Mr. Devoncroft is only one out of thousands* who like *The Listener* because of the variety and value of its articles. *The Listener* thus enjoys considerable prestige with well-informed people who are respected—and emulated—by others. Advertisers who wish to appeal directly and economically to this discriminating and influential market will find no better medium than the advertisement pages of *The Listener*.

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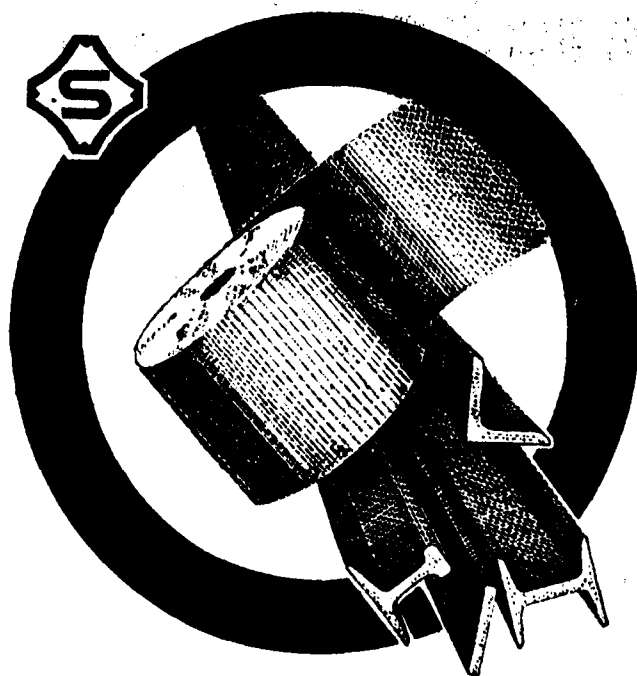
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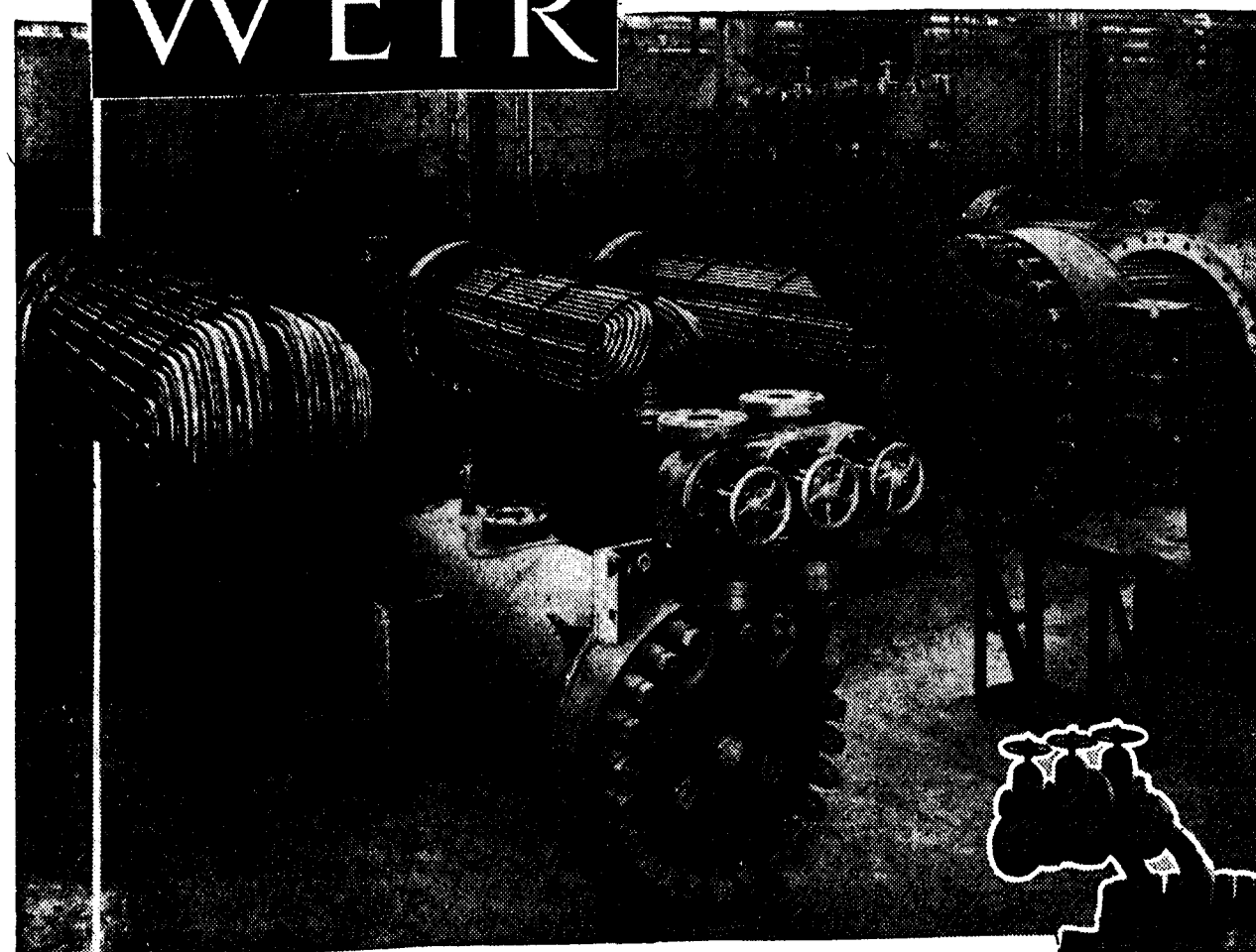
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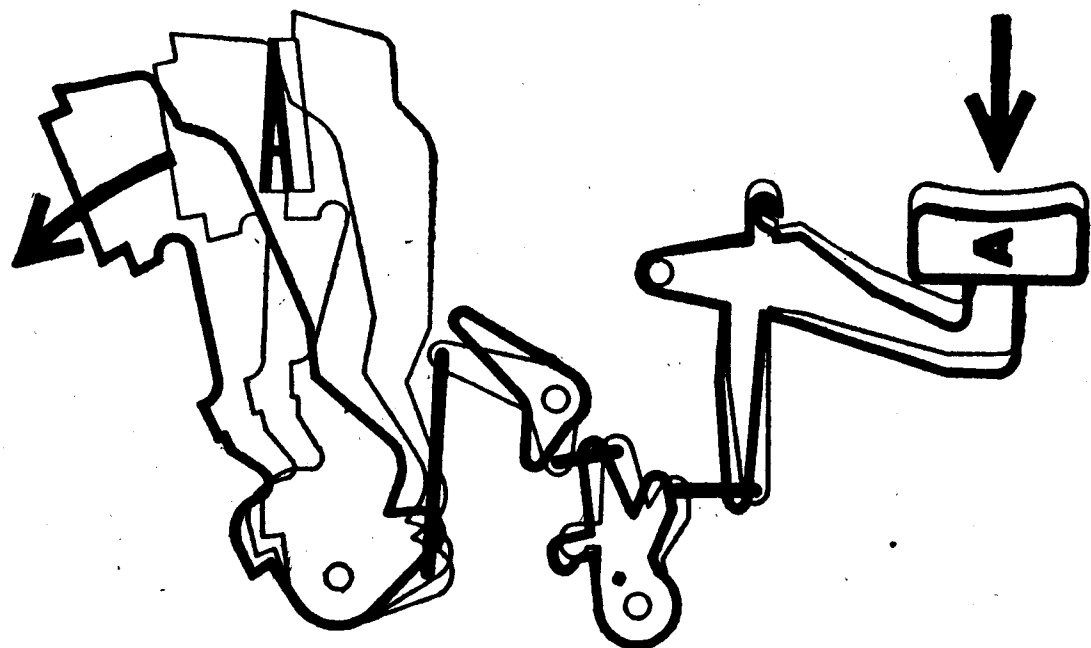
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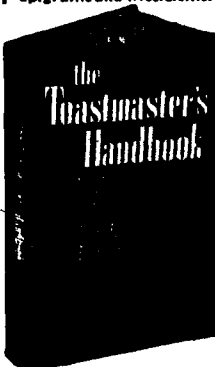
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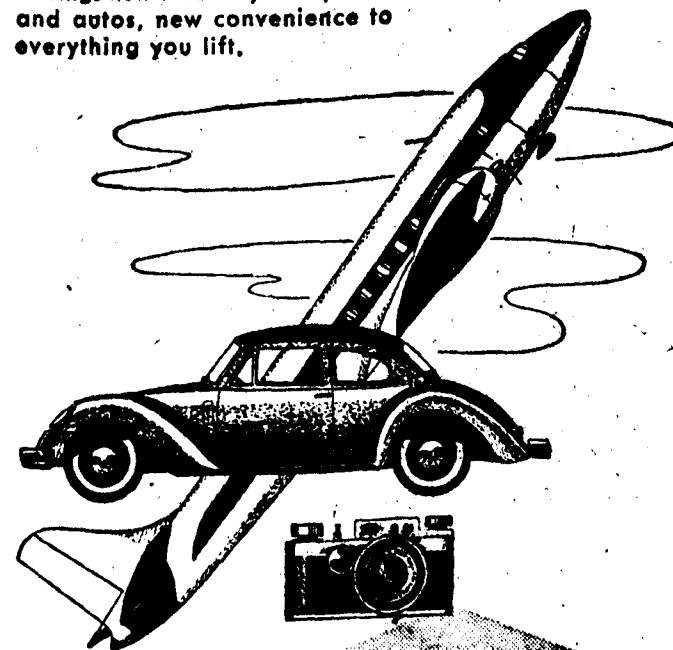
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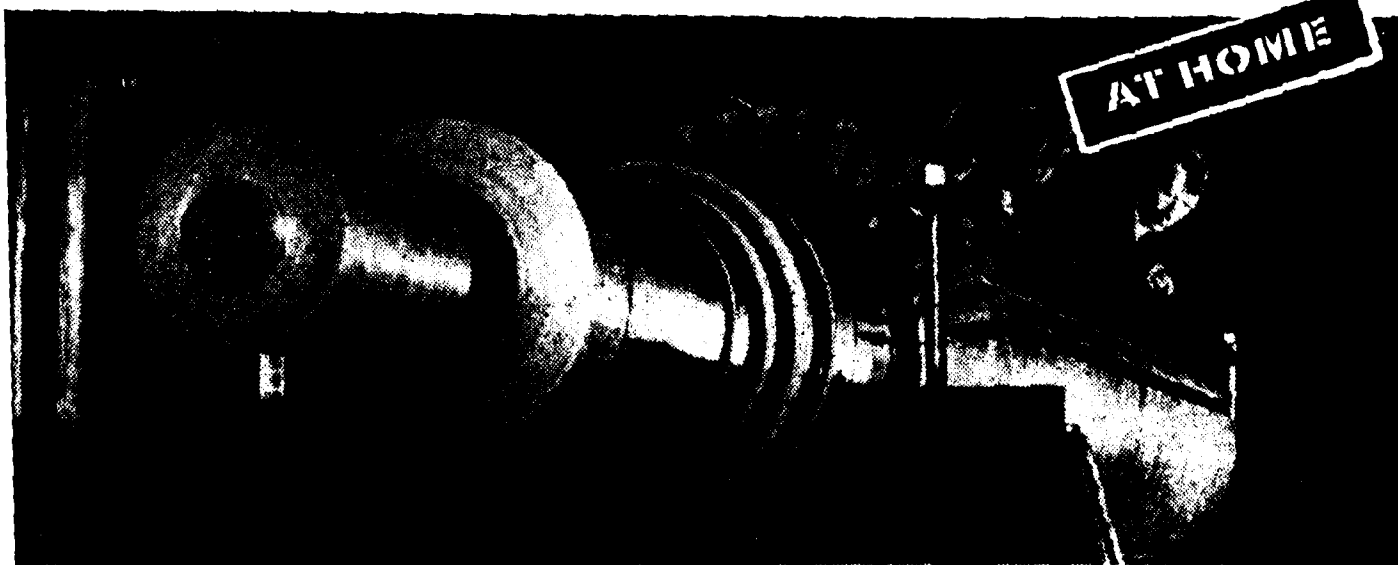
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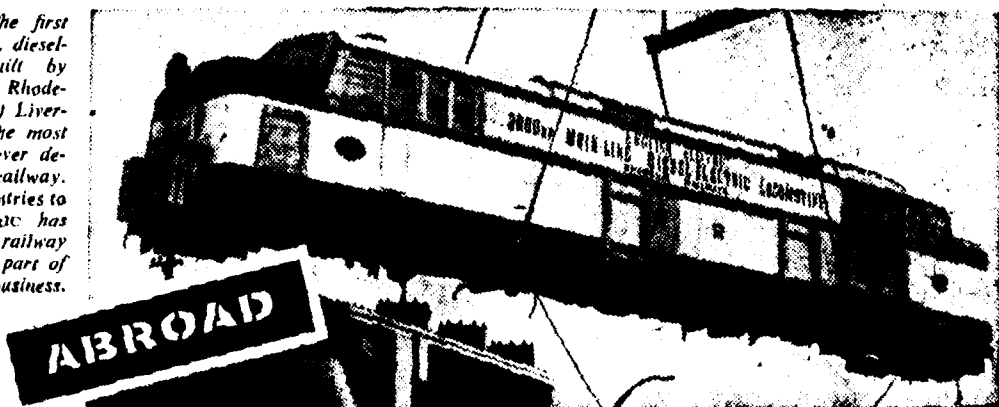
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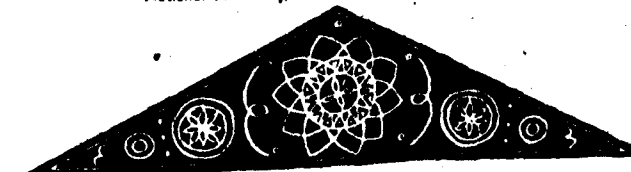
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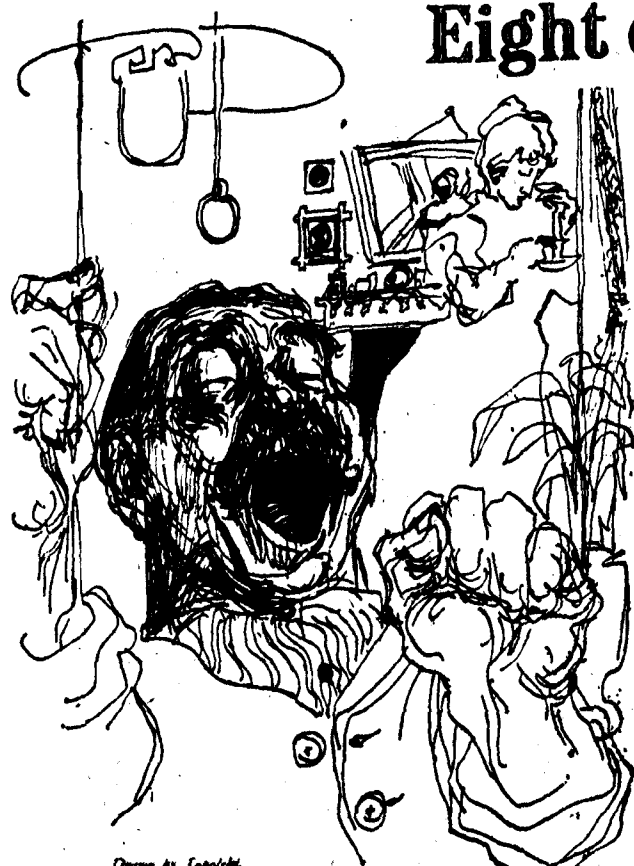
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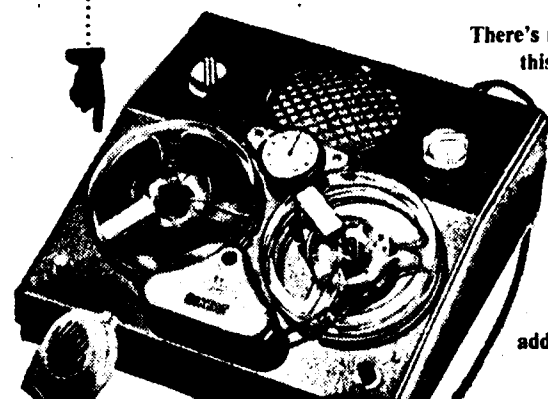
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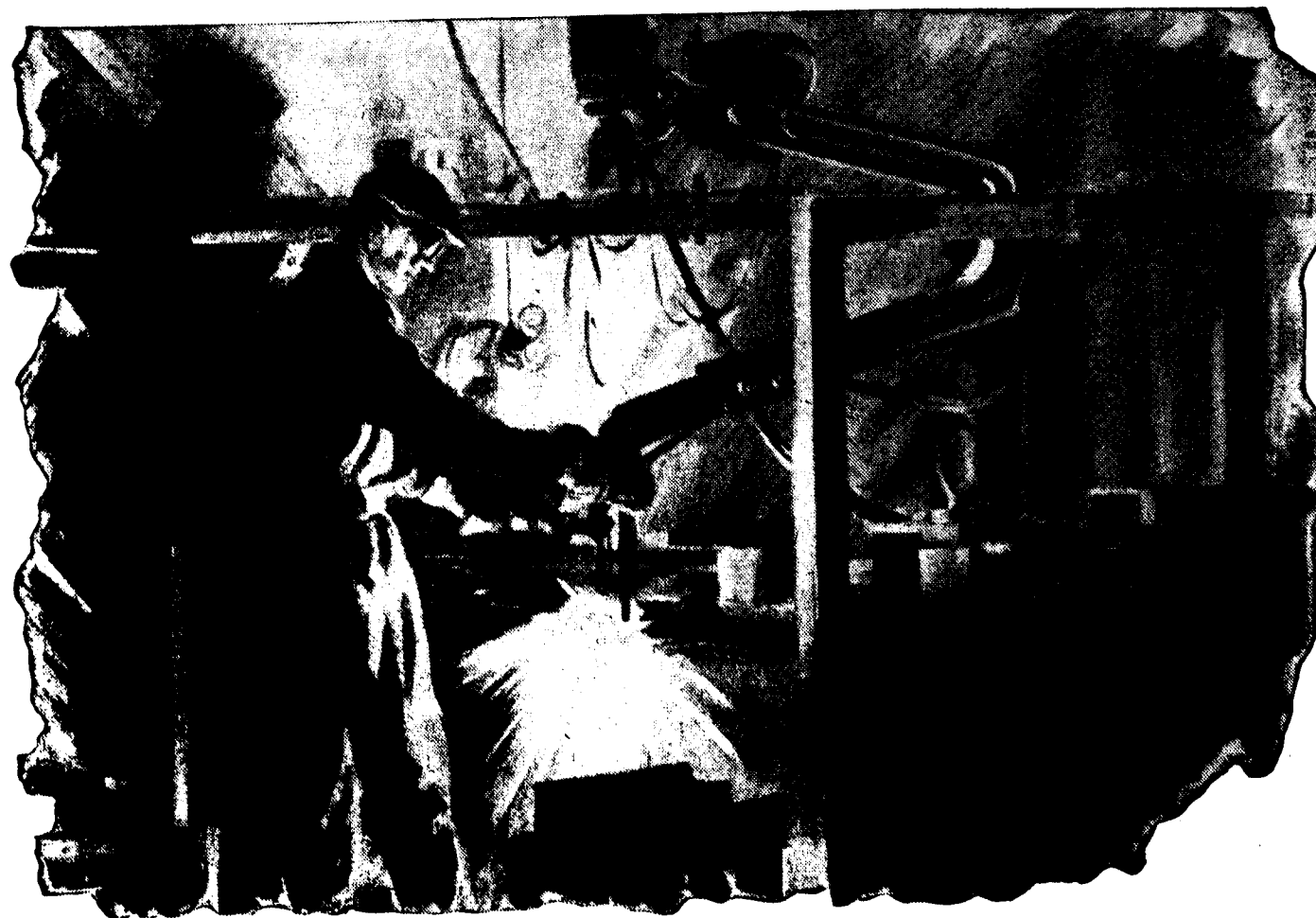


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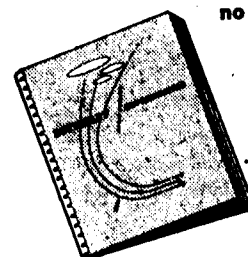


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An enlargement of a Rubens sketch (perhaps from a medal) in the British Museum.

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APRIL 28, 1956

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What is the Score?

TEN days that failed to shake the world" seems a fair description of the Khrushchev-Bulganin visit to Britain. The visitors were on the wrong foot when they arrived. They had overestimated British readiness to smile politely in the face of standing affront; their public complaint about the programme which they had already agreed with their hosts had evoked a low growl even from Downing Street. Thereafter, although they came bearing gifts suited to the Englishman's love of animals, and penetrated strongholds as various as Windsor, the Mansion House and Claridge's, they made no deep penetration into their hosts' affections; and the scant indications emanating from Number Ten suggested that they were not making much positive headway in their talks with Sir Anthony Eden either. They have not, at the time of writing, left this island; the official—and agreed—conclusions of their discussions have not yet been published. But it already seems possible to draw up the balance sheet and to point to the more important lessons that can be drawn from the visit.

This Anglo-Soviet encounter has been a queer mixture of hospitality and high-level conversation; and the hospitality has taken the limelight, despite the impressively long (and refreshingly private) conversations in Downing Street. Sir Anthony Eden may have acquired some invaluable insight into Russian mental processes and into the murky gulf between Soviet promise and performance; but a probing operation of that kind is not negotiation, though it may be an eye-opening preliminary. In an age in which the free world's survival depends on its unity, there are few if any issues of importance about which Britain can or should negotiate binding agreements separately with Russia—an exception being the field of really free contact between individuals across the iron curtain. There is, one can truly say, no such definable thing as Anglo-Soviet relations.

Yet in present circumstances there would be nothing surprising about the appearance of a communiqué making the most of diaphanous generalisations rather than bluntly recording disagreement or sterility. A joint communiqué requires the approval of both parties, and it has clearly been the Soviet intention to handle the visit to Britain as closely as possible on the lines of last year's visit to India and Burma—that is, to minimise controversy, to please British opinion, to represent Britain to the world as having moved closer to the Soviet Union, and to contrive a triumphal return to Moscow with one more bond of friendship signed and sealed. And it is here that, from Mr Khrushchev's point of view, things have gone badly wrong.

The Soviet rulers apparently expected a truly popular welcome. Even when it was plain that they were not getting one, their subjects, both in Russia and in the satellite countries, were still being regaled with richly imaginative accounts of wild Cockney enthusiasm (this aspect of the visit is further discussed on page 364). And, although the Moscow press has lowered its sights already, the official Soviet verdict on the visit will in any event be that it was a success for Soviet

policy. But by all appearances the visitors themselves are far from confident that this version of events will sound convincing.

What went wrong with their well-laid plans? Nobody expected their appearance in Britain to set off an explosion of Marxist-Leninist fervour here; but curiosity alone might have drawn them crowds big enough to look well in cinema newsreels. British behaviour patterns practically guaranteed them against open hostility, and many honest folk could not have been blamed for hailing this first sight of Soviet Russia's rulers as a sure promise of peace. Stalin had been partly disowned and some of his victims rehabilitated; mischief-making in the Middle East had been apparently suspended for the time being; the Cominform had been dissolved; talk of disarmament filled the air. Waving to unresponsive onlookers, talking trade to business-men and working-class solidarity to Labour MPs, the visitors did their utmost to infect their host nation with their own initial bonhomie; and yet they failed.

Perhaps Mr Malenkov once again acted—unconsciously—as wrecker of his government's plans. He stole from his seniors the glamour of being the first exhibit from the Kremlin on show in Britain; he also had the glamour of a Soviet leader who fell but still survived. Perhaps General Serov's inopportune appearance had left a nasty taste in the public's mouth. Certainly the impressive and restrained march to the Cenotaph of the East European ex-servicemen and refugees was a disquieting reminder to the British people of the dark side of Mr Khrushchev's moon. Again, his brandishing of the Soviet hydrogen bomb and his rage at finding that democratic Socialists in Britain are not indifferent to the fate of democratic Socialists in Eastern Europe contributed to the uncomfortable climate. Whatever the aim of the visit—the declared one of fostering friendship and trust, or that of exploiting “inevitable contradictions” within and between the free nations, an aim which is also freely declared, but only to Soviet audiences—he was going about it the wrong way. The desire for peace, fervently and frequently stated, was undoubtedly genuine—and, today, realistic. But on what—or whose—terms? This is the beginning, not the end, of negotiation.

★

What of the British side of this visit? There can be little satisfaction in the mere thought that our Soviet guests have failed to convert us *en masse* to their totalitarian way of thinking during a stay of a few days. It is probably equally true that our free ways have made no impact—or perhaps have made a distasteful impact—on their minds. What is possible is that their experience here may have slightly weakened their dogmatic belief that free societies are houses of cards, doomed to collapse sooner or later. It may have begun to reveal to them that communism's ugly record has made even its most persuasive gestures deeply suspect in the out-

side world, and that before it can hope to win the trust of free peoples it must change not just its tune but its nature. But there is no sign as yet that it has.

There is no room for complacency about the outcome of the visit. The British are too fond of congratulating themselves on their steadiness and social unity, of claiming that while other peoples—European, Asian, or American—are volatile or gullible, wool is not easily pulled over British eyes. There is liable to be an outburst of this self-praise in weeks to come. What will be overlooked is that the invitation to the Soviet rulers was a very risky gamble, a gamble almost ludicrously characteristic of an island people. When the Government issued the invitation (and when it decided not to use Mr Khrushchev's unforgivable insults, during his tour of India and Burma, as an opportunity to withdraw it), it gave little thought to the fact that in any such encounter there is a third, invisible, but highly interested party—the rest of the free world.

★

There was never the risk of the visitors setting Britain on a neutralist or any other false path. But there was a very real risk that they would contrive to jeopardise Britain's relations with its friends—with our staunch Atlantic allies; with our less staunch, indeed wavering, allies and friends, some of whom have very naturally asked why, if Mr Khrushchev is now being welcomed at Windsor, conscription and heavy taxation are still regarded as necessary to keep this beaming, avuncular figure at arm's length; with our friends in and from Eastern Europe—the Polish airmen and soldiers who have spent a decade in exile, the Czech democrats who have been persecuted for eight years because they held to the ideals of Masaryk and Benes, and others whose lamps of hope have burned dimmer as they see their masters' masters made welcome here. The Government may, admittedly, have taken a nicely calculated risk, confident that the Russians were not clever enough to persuade the world that Britain was wobbling off its course. It seems at least equally possible that the Government simply did not know. And, in that case, we have been extremely lucky.

Is not this the most important lesson of the visit—that when any one of the non-communist nations indulges in separate and spectacular dealings with the rulers of the monolithic bloc that confronts them, it is playing the game that Moscow prefers above all others? The idea that “we can handle these fellows better than anyone else can” is shared, in varying forms, by British, American, French, German, and Asian politicians and peoples; and internal pressures, often party political ones, are apt to lead a good many politicians to try their hand at “going it alone.” By painful effort the free nations have achieved a strength and a unity that enable them to deal with the communist governments from a position of equality. That effort must not now be rendered vain because one free nation after another decides that, on grounds of national character or historical destiny, it can safely play a lone hand.

Wielding the Axe

MR MACMILLAN was engagingly frank this week in explaining how the new Government economy campaign has been conceived. He has thought of a number (£100 million of current expenditure in 1956-57) and is now going to cut it. He recognises that “savings of this magnitude may well require important changes of policy or in administration or both.” They may, indeed, and the Chancellor's hungry simplicity deserves commendation; it might even work. But there will need to be hard thinking about the particular changes in administration and policy required. This article will attempt to make a contribution to it.

The call for vast cuts in Government administrative expenditure is partly a parrot cry, especially as regards Whitehall; the cost of staffing the actual Ministries in London must be under £50 million a year, and even if 10 per cent could be saved on them (which it possibly could) the gain would be chicken feed. But, outside London, this is not a matter for parrots only. Although the ground has been harrowed in so many economy campaigns, the machinery devised for doing the harrowing is archaic. As seen from outside, the following description, and criticisms, of it emerge:

(1) *Ex ante* every item in each departmental estimate is studied by Treasury officials trained in figures rather than technical expertise; they are alert to spot if this year's estimate for any particular item is larger than last year's, but not to know whether last year's was far too high (or too low). For this they must consult experts in other departments. In the growing part of the estimates which has to do with building and maintenance costs, for example, the Treasury has presumably to consult the building trade experts at the Ministry of Works; this has not been staffed up to the grades, and with the calibre, of people that changing Government responsibility should have required.

(2) *Ex post*, there is a huge organisation for audit of accounts; every penny that is spent on every provincial public building passes through local and district audit, up to the accounting department of the appropriate Ministry, then to the Comptroller and Auditor General, and then to the Public Accounts Committee. But this organisation is largely geared to the old task of making sure that corrupt civil servants are not pinching the taxpayers' money, and to spotting any waste that has occurred through obvious mistakes. Except where the accounting departments of the individual Ministries are particularly good—and in a few cases they are—the machinery of *ex post* scrutiny does not do much more than that.

(3) Thirdly, there is what might be called the *anti-Parkinson machinery*. The staff inspection department of the Treasury busily probes each Ministry and suggests that jobs now done by an executive officer could be done more economically by a clerical officer; then the organisation and methods department of the Treasury comes along and suggests that the clerical officer could himself be replaced by an adding machine. But these and other internal investigators—who are mostly of executive,

rather than administrative, grade—are equipped only to ensure that given jobs are performed according to rule and scale. They are not equipped to ask whether particular jobs ought to be done at all.

The more closely one examines this machinery, the less satisfactory it seems. Indeed, if administrative economies are to be sought, one of the first places should be in the administration of the economy-searching and auditing departments themselves. But the big reform that is surely needed is to lay much less emphasis on ordinary accounting and much more on cost accounting—above all on principles of comparability. To be specific: the Treasury should collate more figures on comparative running costs. What, for example, was the average cost of heating per square foot last year in Government hostels, prisons, hospitals, Whitehall offices and schools? One suspects that from any such series of comparisons certain Ministries might emerge uniformly badly; under a sensible system of Treasury control, they could be told that in future their estimates would be the most heavily cut.

★

So much for changes in administration. In turning now to changes in policy, this article is going to skip swiftly over the civil departments. There are some desirable “policy economies” to be made there, especially in imposing higher charges for specific services. Dearer school meals and a boarding charge for hospital in-patients are obvious examples; it is a pity they were not imposed in February. But, apart from such scraping, the main changes in policy seem likely to affect not the butter, but the guns. It is important to feel uncomfortable about this. Only six weeks ago the defence estimates were strenuously defended as the bare minimum necessary for security. What should the right-thinking, cautious man say about the apparent intention to cut them now?

Let it be said that this is no moment on any count for lowering our guard. But let it be said also that the economics of the “long haul” in defence to which we are rightly and resolutely committed call all the time for the most careful thought to make sure that we get no less than we need for no more than we can afford.

Two realities have to be recognised. The first is that, whatever happens, and whatever government is in power, defence spending is going to be reduced. Both political parties are moving in that direction, and the question is simply whether the cut can be made now, calmly planned and without detriment to the nation's essential strength, or be improvised, hastily and perilously, later; the test is that there should be no real weakening. The second fact is that the service departments themselves admit that money is being wasted in defence. If it could be forecast exactly when the danger period is, and what weapons could be perfected

by then, many types and marks now in production would be discontinued. Such "waste" is normal—some would say inevitable—in defence planning; but it is particularly great and obtrusive now because the transition through which the technology of warfare is passing is so obviously rapid and revolutionary. The savings are there to be made: the lottery—or the task of the planners—is to pick the right ones. The outsider can best comment on the broad decisions to be made, and the dangers to be avoided, under three heads.

(1) *Research and other expenditure controlled by the Minister of Supply.* The difficulty here is that the Chancellor wants his cut made this year, not planned for next. The biggest immediate economies from the Ministry of Supply would come, not from postponing or cancelling now a marginal project in its early stages, but in stopping one that is in full career and eating money—and is thus on the verge of yielding the dividends that might justify the past investment. To cut research projects substantially by 1960—a review was promised in the defence debate—is one thing; to engineer a sharp drop in the spending rate by next July is another.

The sensible thing to say seems to be that each project should be decided solely on its merits, particularly its inter-allied merits; the temptation to continue projects for prestige reasons or to "justify past investment" should be resisted. For example, to cite a controversial issue, a strong case seems to be emerging for stopping development of British naval aircraft and equipping British aircraft carriers in future with American types.

(2) *Expenditure on the forces now in the field.* The service departments plainly expect most of the immediate economies to be concentrated on this. Fewer ships at sea, less training, reduced colonial garrisons, reduced civil defence, smaller stockpiles and stores: in short, a lot of little "agonising reappraisals" which will probably fall most heavily on the Admiralty. For this very reason there should simultaneously be, obligatorily, a much bigger and far more agonising reappraisal at the

top, in real collaboration with our allies, on the allocation of commitments as a whole. This need not necessarily mean an attempt to shift new burdens towards the United States; the older Dominions, and for that matter some of the emerging ones, could justly be asked to share certain regional obligations which are of quite as much importance to them as to us.

(3) *Finally, and most important, manpower.* The primary economic and political objective here should be to cut the training and establishment costs of conscription by recruiting enough regular soldiers, if necessary at a still higher price. But this does not mean, let Labour MPs take note, that the period of the call-up can be reduced; the two-year period must be retained in full, while reducing the intake. Indeed, there are two points that should now be forcing themselves upon the Prime Minister's attention. One is that it would probably already be militarily justifiable, and it would certainly be economically salutary, for Britain to move from a general to a selective system of call-up. The other is that some people believe that, if the call-up period of the existing draft of national servicemen were extended from two to three years, conscription for everybody else could be abolished in the very near future. A brave Government would not neglect either consideration.

It is unwise for outside commentators to be too dogmatic about changes in Government expenditure. But the broad principles enumerated in this article can be stated with some confidence. In civil expenditure the trend ought to be towards basing control on cost comparisons, instead of upon year-to-year fluctuations in estimates, and towards making specific charges for specific services. In defence (although administrative economies can be made here, too) the important points are that Britain, while still doing no less than its inescapable duty, should not waste money doing things that its allies can do better, and that efficiency rather than equality of inconvenience should be the guide for ending conscription. The Chancellor should be urged to follow these principles and to be both eager and specific with his axe.

Iraq on Show

LAST week, the Euphrates rose in sudden flood, breached its east bank just above Iraq's narrow waist, and threatened the land between the rivers with one of the spring inundations that have been its lot since Noah's day. The watchers on the bund called into action the huge new barrage at Ramadi that had been opened only ten days before. By its action, surplus water was diverted into Lake Habbaniya, the river fell and the flood, changing direction, poured back through the breach into its proper channel. The Iraq cabinet and Development Board could not have wished for a more prompt demonstration of the good use to which they are putting their country's oil revenues and the ability, arising from those revenues, to obtain machinery produced by western technical skill.

By a coincidence, the same week produced an equally satisfactory scene on the political front. The Baghdad Pact powers, meeting in Teheran, welcomed the entry of the United States into their economic committee, bringing the promise of fresh transfusions of peaceful strength. Simultaneously, the new Russian statement on the Middle East served to disillusion such Arab states as had been hoping to get the best of both worlds by flirting with the East to vex the West, and thus recalled the merits of loyal alliance. All told, the week was a good one for those Iraqis who appreciate the steadiness of their present prime minister, Nuri Pasha.

The week before had also been a good one. It was Development Week, and the authorities had staged the opening of four or five major public works, including

the Ramadi barrage, the corresponding apparatus at Samarra which will divert future Tigris floods into the Wadi Tharthar, and the opening of the road bridges at Hindiya and Kufa in the turbulent Middle Euphrates tribal area. This last scene in particular was enough to excite even the staidest foreign onlooker; tribes turned out in force, armed to the teeth but chanting and dancing, and later swept Nuri Pasha across the new bridges, impromptu, unpoliced and in a tumultuous wave. It would be well if Development Week became an annual national event, and new ventures were opened in one glorious burst each year. There could be no better way of capturing the eye and imagination of the whole of a country so long and thin that the mountainy men at one end know nothing of the marsh-dwellers at the other.

Behind the thrill of completion lie much spade-work and one specifically Iraqi quality. In contrast to the many under-developed states which pay highly for foreign advice and then pigeon-hole it because it sounds unpleasant or difficult to fulfil, the Iraqis not only seek the advice, but take it. They are less slow than most of their neighbours to grasp the importance of continuity in technical matters; they also see nothing undignified in turning to other countries for help where local talent is still in short supply. Successive governments have ignored a hostile nationalist chorus and employed foreigners as what amount to key public servants; along with some highly competent Iraqis, two foreigners—one British, one American—are permanent members of the Iraq Development Board.

Iraq would be too good to be true if it had completely escaped the adolescent craze for commissioning all too many reports on what to do next—documents now mouldering at the bottom of the drawer in nearly every Middle Eastern ministry. But again, the Iraqis are in a class apart because they have commissioned, and are using, a master document that has extracted the essence from all the rest. Lord Salter, its author, has given them a blueprint so lucid and so perceptive of the difficulties that beset not just Iraq, but the under-developed countries less blest with money and water and irrigable empty lands, that it is worth the attention of governments all over the world.* In this context, its

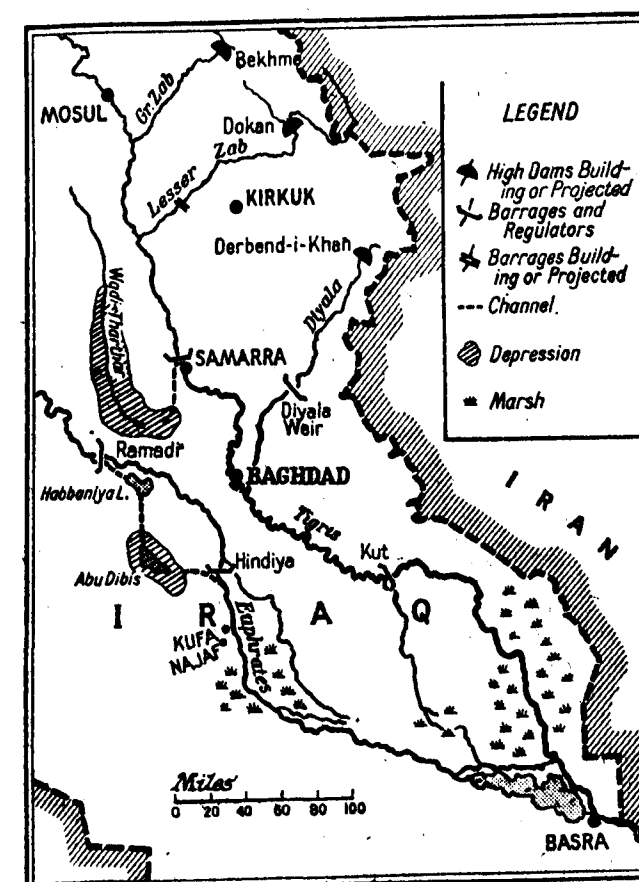
most important contribution to development in general is its catalogue, compressed into three pages, of the main factors that any development plan must simultaneously take into account. Later expanded, these range from advice to keep spectacular dam-building within bounds till the peasant can be taught to use the water, to outlines for the mopping-up of sudden increases of purchasing power, and warnings not to let the glamour of industries that throb, hum and clatter eclipse the claims of agriculture.

Two other points about the Salter report are of general, as opposed to technical interest. First, it is a glowing advertisement for a basic western concept: "The present study... takes the view that the nation's economy exists for man, not man for the economy." Its second noteworthy characteristic is its detachment.

Iraq began its general development planning in 1951, and inevitably the first visible results took some years to produce. The lag was worse in the south than elsewhere, because flood control was essential before major building was worth while. Looking back, other acts can be seen to have been expensive or lopsided. Lord Salter thinks that five-year plans are insufficiently flexible, and he recommends latitude for modification in the light of experience. This is the best way to shape the course of expenditure and production, for who can foretell the way in which each new opportunity will be used by the people as a whole?

Again, the first programmes were too apt to concentrate on major works necessarily slow of achievement and far removed from the sight of coffee-house critics in Baghdad. The report suggests that a new housing authority financed, though not administered, by the Development Board could quickly get spectacular results all over the country if it were to provide for all grades of house, from the cheap one that would get the slum-dweller out of his mud-and-matting hovel to the ideal home in smaller towns that would tempt doctors away from Baghdad. The latest indications are that both these criticisms have been taken to heart. The

* *The Development of Iraq: A plan of action.* By Lord Salter, assisted by S. W. Payton. Baghdad: Ministry of Development. 252 pages. Price, by registered surface mail, Iraqi dinars, 1,452 or 29s. 0½d.



Board has this year produced a set of revised forward estimates for all the items which were in the five-year plan adopted last year, plus some additional items. The biggest change is in regard to housing, for which the 1956 draft revision to ID 24 million quadruples the 1955 figure.

Other recommended changes are still under debate. Neither the Board nor the civil service is yet geared to organising expenditure of the total monies at their disposal; the Board tends to leave huge sums lying idle in current accounts or on bank deposit at low interest rates. The appointment of a special finance officer to handle this problem is suggested. Again, there is justifiable criticism of the degree to which the Development Board changes hands with the rise and fall of ministries. Originally, it had a permanent Iraqi managing director; but the familiar taste of parliaments for criticising and undermining anyone who holds a big job for too long caused a change for the worse in 1953. Today, the Board is run by a cabinet minister, beset by insecurity of tenure. How long will the Iraqi parliament go on hesitating to trust a managing director who survives the ebb and flow of cabinets?

But far the most important of the unfulfilled recommendations stems from the report's steady stream of evidence that the pace and limit of development are set not by money but by the human factor. The real crux is the lack of an efficient civil service to execute the plans. In Iraq, where most public services are nationalised, this stricture covers doctors, teachers and engineers. At present, a mere decision to move a telephone is shuffled off until it gets to the Minister. Salaries at little more than a labourer's pay bear no relation to merit or aptitude, so that most men of ability or high educational qualifications seek jobs in business or even abroad. Two bad results of the present

system are that the chances of quick action are small, and that Iraq is fast acquiring the large underprivileged middle class that is communism's breeding ground. This reform is even more urgent than the classic one of altering the system of land tenure so as to give the peasant more interest in improving the land.

Iraq is in many ways highly favoured. Its material advantages are enormous. They include money, water, living space and the modicum of competent, responsible men who have the training and acumen to hold down the twenty or thirty key jobs on which smooth development hangs. Will their fellow-countrymen leave them free to do so, and give them tools for the job in the shape of properly paid and contented subordinates?

The present government enjoys several sources of strength. It is admired in the West for the tenacity and continuity of Nuri Pasha's foreign policy, and it has gained, not lost, at home from Egyptian attacks which have been viewed as an attempt to establish a hegemony which Iraq has questioned for years. It will be helped if the Baghdad Pact gives it something to show for Nuri's policy, particularly in the realm of armaments. The first permanent television service in the Middle East, installed in Baghdad by British engineers and to be opened next Wednesday, is a spectacular dividend for it. Its chief weakness lies in the premier's relative lack of interest in domestic reforms; his main backing comes from a landed gentry that opposes them.

The race, in Iraq, is one between increasingly vocal liberal and left-wing discontent and the creation of a middle and peasant class with a vested interest in tranquillity. If economic development continues to advance as it is doing under the present minister, Dhya Jafar, and Iraqi common sense continues to prevail, the odds are on a win for the happier alternative. It must be exciting to be an Iraqi.

The Pattern of a Family Budget

BY A CORRESPONDENT

This article is written by a correspondent who, by any current British standards, is obviously a rich man. He had a disposable income of over £1,000 a year even before the war, as 200,000 Britons had; he has been lucky enough to maintain the real value of his disposable income since then, as only about 10,000 of his class seem to have done. Against this—since his three children are aged 14, 17 and 20—he is at a stage in his career when educational family expenditure is at its height. His analysis of the change in the pattern of his expenditure since before the war seems a useful individual case study in this week after Mr Macmillan's "non-middle-class" budget.

I AM in my early fifties; after the university and two years of knocking around bits of the world I settled down nearly thirty years ago to a regular pensionable job. I married in 1933 and children were born in 1936, 1939 and 1942. For many years I have kept complicated but rudimentary accounts; my wife does not understand the system, and while her cheque stubs give a clue to the larger payments, she has little record of her cash disbursements which account for one-sixth of the family outgoings. The figures that follow would not be passed by an auditor, but they are probably suffi-

ciently accurate to reflect the major changes which have taken place in a family budget over a generation. For simplicity, averages for groups of years have been taken.

Table I shows the cash at our disposal. Our joint capital at marriage was £3,500, but it was all spent within seven years. Between 1943 and 1952 we had several gifts and legacies totalling £850, which were also spent. In the last three years we have had legacies amounting to £2,000; I received £1,000 from an endowment policy; and on occasion have drawn heavily on savings. My wife has had a regular allowance from

a relation abroad; if it ceased, or became subject to UK tax, immediate retrenchment would be necessary.

TABLE I—CASH AT OUR DISPOSAL
(£: Yearly averages)

	1928/32	1933/37	1938/42	1943/47	1948/52	1953/55
Gross salary	390	713	1,114	1,571	2,901	4,000
Net salary	365	656	860	1,033	1,900	2,391
Other income (incl. family allowances since 1948)	6	85	24	10	30	133
Capital receipts	...	355	340	50	120	1,242
Wife's allowance	...	100	150	200	300	400
Total cash available	370	1,196	1,374	1,293	2,350	4,166

Table II shows how the cash was spent. There are nine points in this table that may call for comment, and I have labelled them from (a) to (i):

(a) Notwithstanding a pension I took out an endowment policy which matured at 50, and since then have maintained an equivalent premium to provide a substantial sum if I die before 60—when I hope to be free of educational responsibilities.

(b) We lived in a flat for a few months after marriage and then bought a house for £2,500, using most of our joint capital. In 1938-39 we sold it for £2,000, and built another for £3,500 by liquidating the remainder of our capital, and with a mortgage for £1,000. These transactions explained the capital receipts in Table I as well as the outgoings on house purchase in Table II for the years 1933-37 and 1938-42.

(c) "Wages" conceals the fact that from 1936-1939 our establishment consisted of two living-in staff, although my wife and I regarded ourselves as over-worked at the time. After some ups and downs early in the war we were fortunate towards the end to get some very efficient and adequate help with the children; but for the last six or seven years, partly due to the scarcity of staff and partly to the other claims on our resources, an increasing burden of cooking, cleaning and mending has been assumed by my wife, who now employs a part-time daily

TABLE II—EXPENDITURE
(£: Yearly averages)

	1928/32	1933/37	1938/42	1943/47	1948/52	1953/55
Husband—Personal						
Meals out	42	38	31	30	47	47
Clothing	28	12	19	21	47	32
Travelling to work	14	5	7	10	15	20
Insurance (life and accident) (a)	32	36	37	37	37	35
Tobacco	3	3	5	8	9	13
Given away	11	26	41	31	41	101
Other personal	51	32	28	30	50	52
Wife, personal (estimated)	181	152	168	167	246	300
Household						
House - purchase, decoration, repairs, schedule A, rates, mortgage & ground rent (b)	...	355	550	196	211	251
Wages (c)	...	130	120	250	170	130
Car (d)	...	173	33	...	...	295
Holiday (e)	38	46	22	88	260	405
Education—fees (f)	...	...	20	80	530	882
Medical (g)	6	32	31	23	20	17
Saving (h)	45	10	...	...	70	330
General household (i)	100	248	380	439	743	1,456
	370	1,196	1,374	1,293	2,350	4,166

woman and endures some cheerful interference from the family.

(d) Before the war we had a new car every other year; when the basic petrol ration was abolished we gave the last away to get it out of the garage. For the next twelve years we could not afford another, but have recently used a legacy to buy one.

(e) A grandparent's generosity with a country house used to cut down the costs of holidays, but as the children have grown older we have endeavoured to give them a worth-while family holiday and an opportunity to see something of the world; since the war we have achieved the Continent (five times) and America (once).

(f) Education has risen from nil to an average of £900. One of the children went to the excellent local grammar school (no fees) and is now on a three-year course for which we pay the full expense. The other two have gone to boarding schools, but with assistance of legacies we have paid the fees for five years in advance; these capital payments have swollen the average payments in recent years, but as the fees have since increased there is a balance payable.

(g) We use the National Health Service for our doctor, but are private patients of our dentist.

(h) As we have lived on capital, we have not saved with regularity, but on occasion as we have had a surplus a part has been put aside.

(i) "General household" is a balancing item, which may cause some raised eyebrows. It doubled between 1948-52 and 1953-55, although prices generally rose by only about one quarter. The explanation is first, that we probably all lived a little more comfortably; nearly everybody is living more comfortably now than just after the war, without always realising it. But secondly, the cost of the children's maintenance (apart from purely educational expenditure) rises disproportionately as they pass through adolescence, and start acquiring a capital stock of bicycles, tennis racquets, suit cases, tools, evening clothes and other possessions for their developing interests and activities. The item mostly reflects cash disbursements and few details are kept of its build-up, but a rough analysis of its total (£1,500) for 1955 is: food and drink, including meals out for family, £400; children's clothes, equipment and allowances, £350; furniture, household and garden equipment, £165; heat, light, water and telephone, £145; family subscriptions, donations, presents, Christmas cards and other stationery, £135; cleaning and

TABLE III—PERCENTAGE OF ITEMS TO TOTAL EXPENDITURE

	1928/32 (as a bachelor)	1933/37 (one child)	1938/42 (two children)	1943/47 (three children)	1948/52	1953/55
Husband, personal ..	49	13	12	13	10	7
Wife, personal	...	4	4	4	4	2
Household						
House - purchase, decoration, taxes, rates, mortgage and ground rent	...	30	40	15	9	6
Wages	...	11	9	19	7	3
Car	...	14	2	...	...	7
Holiday	10	4	2	7	11	10
Education	...	...	1	6	23	21
Medical	2	3	2	2	1	...
Saving	12	1	...	...	3	8
General household ..	27	21	28	34	32	35
	100	100	100	100	100	100

laundry, £100; books, papers and entertainment, £100; that leaves just over £100 of miscellaneous expenditure, including family travel other than by car or on holidays.

It has recently been suggested (*The Economist*, January 21, 1956, page 185) that when the prewar gross salary was £700-£1,000, the present gross salary should be about 3½ times as large to enable the recipient to maintain his absolute standard, and about four times as large to maintain his place in the community. If this is correct, thanks to my special additions to net income, I should be better off than before the war. Yet Table III shows how our purchasing power has been redistributed during this period of enrichment. The results are rather startling. The share of personal expenditure of my wife and myself has been halved. The heavy expenditure on the house, which in the first period absorbed a third of our income but was of a capital nature, is now below 10 per cent. Wages, which were 11 per cent, and rose to 19 per cent during the war, have fallen to 3 per cent, and reflect the pressure of family life on my wife. Education has risen from nothing until in the last eight years it has taken one-fifth. General household expenses have increased

from one-fifth to one-third, largely due to the upkeep of the children.

Since marriage, we have after spending my wife's tax free allowance lived beyond our income to the extent of £6,350, by liquidating our original capital of £3,500 and spending legacies of £2,850. In addition, we have spent my insurance of £1,000, and dipped into savings to the extent of £800. In place of these resources we now have a house (subject to mortgage of £1,000), a house full of furniture, linen, crockery and junk, a car, eighteen terms' worth of school fees paid for, about £1,000 on short call, three children and twenty-two years of married life.

Preparation of these notes has prompted the following reflections: We have enjoyed throughout a very much higher standard than the great majority of our fellow citizens, for reasons we do not attempt to justify; we have had a cushion of inherited wealth we are unlikely to pass on to our children; and our pattern of expenditure has radically changed in twenty years. Is the last due so much to the social and financial changes that have occurred round us as to our deliberate choice to indulge in family life?

Notes of the Week

Desperation in Algeria

EVENTS are moving fast on the North African side of the Mediterranean. Two leading Algerian moderates, men of education who had often helped to abate the extremists' eagerness to secure political rights through violence, have left Algiers for Cairo and there announced that they have joined the *Front de Libération Nationale*—the rebel movement. They are Ferhat Abbas, at one time a champion of assimilation with France but more lately an advocate of an Algerian republic federated to France, and a colleague with a reputation for balanced judgment, Dr Ahmed Francis. In Tunis, the Prime Minister, M. Bourguiba, has declared that though Frenchmen are friends, Algerians are brothers, and that if he is forced to choose between them, brothers come first.

For a generation, educated North Africans have been torn between the intellectual pull of France and the emotional one of race. This week two of the men for whom the double loyalty was most poignant have made a move eastwards and into Africa. A year ago, their views were remote from those of the extremists in the *Office du Maghreb* in Egypt or of the armed rebels in the Aurès. Today these unlike minds are thrown together, and the chief instrument in the process has been the behaviour of French

police and French settlers. In a current series of articles in *Le Monde* a special correspondent dispassionately describes what he has seen and heard, under the heading "Algeria Torn Asunder." He reports that even hardened veterans from Korea, "who are scarcely saints," were shocked at the inability of the Constantine authorities to prevent wholesale French police looting of a Moslem quarter from which all males had been evacuated. He describes a shooting spree by an enraged Corsican who killed or wounded eight Moslems and then escaped with police complicity.

Paris is always deploring the scarcity of "valid spokesmen" with whom it can discuss Algeria's future. Now that Ferhat Abbas and Dr Ahmed Francis have felt constrained to visit Cairo, is the exiguous number to be reduced by two?

M. Mollet's Slippery Path

FRENCH deputies have not mended their ways during the parliamentary recess. One commission of the Assembly has just approved the proposed expenditure of the old age pension fund, while another was rejecting the taxes neces-

sary to provide it with additional income. M. Mollet will thus be compelled to make it yet another question of confidence. This vote ought not to prove too dangerous, for no party is anxious to shoulder the blame for refusing relief to old people. Revenue of about £120 million is involved and this, by itself, should not be unbearable, but many critics doubt whether France can afford its social services and Algeria too. The budgeted expenditure on North Africa, at £215 million, looks more and more unrealistic as the Algerian bill piles up.

"Euratom" is another headache for the government. When M. Mollet pledged himself to get the treaty ratified before the summer, the prospects seemed bright. Now, however, the coalition which signed the death sentence of the EDC is slowly reforming its ranks. The Communists attack the plan as yet another "American tool"; nationalists are revolted by the clause which would prevent France from producing atomic weapons; all the Socialist and Radical opponents of a "Little Europe" are once again getting ready for battle. The Communist slogan "no revenge for M. Bidault" successfully evokes bitter memories of 1954 among all political groups.

All these are, however, minor troubles compared with Algeria. The dialogue between M. Lacoste, the minister resident, and M. Mendès-France, who is maintaining his demand for a more imaginative policy, continues to rock the government. Reports that diehard settlers are the real masters of the situation, that they are driving moderate Moslems into the arms of Cairo, that France is fast losing its whole position throughout North Africa, add poignancy to this debate. M. Mendès-France is in a particularly awkward situation. He has just heard a bitter attack on the government of which he is a member made by his most faithful supporters, the young Radicals. One of them, after describing the reforms as farcical, argued that the deputies of the Republican Front, who wooed the electorate a few months ago with promises of peace in Algeria, now look like "swindlers or fools." The distaste of M. Mendès-France for the traditional Radical game of criticising the government without resigning may any day outweigh his fear of being cut off from the Socialists. And if he does not upset the governmental apple cart, the Communists may. Now unusually quiet, they may well greet M. Mollet with an all-out offensive on his return from next month's visit to Moscow.

The Budget Debate

IT is a pity that brilliant debating cannot spark the engine of the economy or fill the gold reserves, for Mr Macmillan's speech at the end of the budget debate was a Parliamentary triumph; it sounded even better than it reads. But this sound should not be allowed to obscure the fact that there was very little except personal witticisms in it. Nor was there much of substance in the rest of the debate. Economically, the most interesting features were that Tory backbenchers have seized upon the case for more incentives to the £1,500-£3,000 a year family man, which means that pressure for the remaining royal commission reforms should fortunately be strong next year; and that

the Opposition has become interested in the subject of tax avoidance, which is a good thing for Oppositions to get interested in. Politically, the debate has been absurdly overshadowed by the attitudes struck about premium bonds. Labour backbenchers fear that their leaders have been misled into a too pompous morality about these, and are pressing anxiously that the party must not be left off what is likely to be a popular bandwagon. With this issue, and his own speech, to help him, Mr Macmillan has emerged from his disappointing budget with hardly a political scratch. Time will show whether Macmillan the politician has been too clever for Macmillan the Chancellor.

Mr Gaitskell and the Bear

MR GAITSKELL'S first venture into diplomatic negotiation has scarcely been a success, but in the end it may do him no harm. When he and other Labour leaders entertained Marshal Bulganin and Mr Khrushchev to dinner, he took the opportunity of pleading for Social Democrats in Communist gaols. Presumably he did not expect to be handed the keys of the Lubianka across the dinner table, but he must have hoped for a more gracious reply than Mr Khrushchev's brutal, uncompromising rejection. By all accounts, the evening had already turned sour, due to a highly provocative, though impromptu, speech from Mr Khrushchev, straight on the old Stalinist line. The reported barracking by Mr George Brown towards the end of this speech may have been unseemly in a host, but Mr Khrushchev himself does not appear to have been paying much regard to the laws of hospitality. In the end, therefore, the party, as a party, was a riot.

At first sight, the incident has delighted the Tories. Could there be a worse advertisement, they argue, for the old Labour claim that only left can speak left? But this is the last claim Mr Gaitskell would want to make just now. When the Russians arrived in Britain, they obviously had high hopes of being able to help along the new Moscow policy of "co-operation" between socialists and communists. In this they could rely on the good will not only of their convinced allies of the extreme left, but also of a far larger number of Labour people who are still reluctant to believe the worst about the country they were brought up to revere as the socialist Mecca. The fellow travellers remain Russia's allies, but many of the fence sitters seem to have been genuinely shocked by Mr Khrushchev's bitter rejection of Mr Gaitskell's pleas. No Labour man can now regard this Russian as a cuddly little bear. Not least important to Mr Gaitskell domestically, Mr Khrushchev seems to have angered no one more than Mr Bevan, who was one of those to feel the sharp side of his tongue. In the short term some Labour MPs are annoyed that the party will not now be able to make capital out of any failure of Sir Anthony Eden's "peace-making efforts," and some of those who were not there have been talking of drawing up a note of apology and "disassociation" to Mr Khrushchev. But on the long view Mr Gaitskell has performed a salutary service, both in and for his party, by reminding the country how deep is the gulf that separates socialists from communists.

Pravda Feels Let Down

THE ease with which the well-oiled machine of the Soviet and satellite press can switch from one theme to another may be very clearly seen at present. This is in effect "British month" in Moscow, and, while exhibitions of British painting and concerts of British music engage the eye and ear of the Russian public, the press has been full of sermons on Anglo-Soviet friendship and despatches from correspondents in Britain. But already the first notes are being heard of the accompaniment that will be played by press, radio, and cultural organisations during the French Prime Minister's coming visit to Moscow. (The Soviet propagandists will probably find this an easier undertaking, for they can draw on the Revolution of 1789, the Commune, and the historic alliance between France and Russia for raw material.)

Meanwhile, the symphonic variations on British themes have been interrupted by discordant sounds. Before Mr Khrushchev and Marshal Bulganin reached Portsmouth, newspaper readers in Russia had been told at great length about the "joyful preparations" that the British people were making for their visit. At the same time, "anti-imperialist" diatribes were played down, and correspondents from Moscow began to report back from these islands in quite new terms, no longer devoting their despatches solely to Britain's worst points, but presenting instead a reasonably recognisable picture. This newly uncritical approach lasted for a while even after it had become clear that the visit would not fit into the Indian pattern of tumultuous enthusiasm. The first accounts of the two leaders' reception here given to the Soviet and satellite peoples were all confetti and cheering crowds. Slowly this picture changed, but the villains of the piece were identified as "sections of the press" and "pro-fascist hooligans." The indifference of the general public in Britain was not remarked upon.

Mr Khrushchev's clash with the Labour Party leaders created a fresh problem. After the story had appeared in the London press, it was apparently decided in Moscow to take the bull by the horns. No attempt was made to play the affair down; on the contrary, the Labour leaders were bitterly criticised for spoiling the atmosphere of the

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visit. But up to the present there is no sign that the Moscow papers are going to tell their public just what it was that Mr Gaitskell, Mr Bevan and their colleagues were trying to get—information about the fate of imprisoned socialists in the Baltic states and Eastern Europe generally.

Body-Blow for Red Arabs

FOR the first time, so far as our knowledge goes, an Arab newspaper—*al Sham* of Damascus—has called the present Russian drive in the Middle East "imperialism." That rude word had hitherto been reserved for the West, and the reason for extending it to the eastern bloc was last week's Soviet statement on the Middle East, particularly the passage in which Russia confirmed its recognition of Israel and offered to work for peace through the United Nations. This stroke of policy, the Arabs reason, reveals a Soviet plan to curry favour with the West so as to win an assured seat in the councils of the great powers, first in regard to Palestine, and later in respect of topics such as the Suez Canal and the production of oil. "Moscow has used some of our countries to score a victory over the West," writes the Lebanese *an Nahar*, "while we, or at least some of us, thought we were using Moscow to score a victory over the West."

The qualifying phrase is important. There are plenty of sophisticated Arabs and Egyptians who never thought that the communist arms deals were transacted out of fellow-feeling for the Arab cause against Israel. But for the naïve, and particularly for those Russophiles and fellow-travellers at present prominent in Egyptian and Syrian politics, the setback has been great because the hopes were high.

Some of them were already at a loss as to what to say about Stalin. Colonel Nasser, who though anti-Communist himself has some fellow-travellers in his team, found it opportune to be able to fly to Jedda and there sign yet another military and political pact of the usual shape with Saudi Arabia and the Yemen. Militarily, the Yemen army adds nothing to the joint command already in existence between Egypt, Saudi Arabia and Syria; but, psychologically, a command stretching from the Indian ocean to the Turkish frontier gives great satisfaction and lends support to Egypt's jaunty statements that it will be unmoved no matter what the Russians and the British may do. The birth of the latest bloc will not, however, make much difference to local capacity for campaigning against British toe-holds in South-East Arabia; the individual states are exploiting this theme anyway.

No Hanging by Degrees

IT looks as if the slender abolitionist majority in the Commons is going to stand firmly by its principles. Two of the many amendments designed to retain capital punishment for the "worst murders" were rejected when Mr Silverman's Bill was considered in committee on Wednesday, each of them by twenty votes. Since several retentionist members took up a lot of time in delivering what

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were really second reading speeches in this committee stage, however, the House did not reach some of the amendments on which a compromise by "moderate abolitionists" was most to be feared. It will have to consider them another day.

It is to be hoped that the majority will be uncompromising about this. They have a real chance now of winning the battle of tactics as well as that of principle. The important question may be whether, if the supporters of hanging continue to batter their heads against the abolitionists' apparent majority of twenty—in unsuccessful amendment after amendment, presumably through at least another two days of committee—the force of their attack may get spent and the public become bored; the less the public excitement about the subject, the less happy the Lords may feel about throwing any lengthily-debated decision of the Commons back at them. In view of this, one of the most interesting and heartening features of this week's debate was that the proceedings were reported on the inside, instead of on the front, pages of some of the newspapers.

Looking at Labour Practices

IT is good news that the National Joint Advisory Council is to tackle the problem of restrictive labour practices, or, as the Minister of Labour prefers to call it, the efficient use of manpower. Not that any spectacular results should be expected. The council, which represents the British Employers' Confederation, the Trades Union Congress and the nationalised industries, is sometimes spoken of as the Parliament of industry; but it can only "make recommendations"—and in the rather minimal terms necessary to reconcile the opposing interests of which it is composed. The council had no success when it tried to deal with the same problem in 1948, largely because it could not agree on what was or was not a restrictive practice.

This is likely to be the difficulty again; the trade union representatives on Wednesday primly pointed out that many so-called restrictive practices were designed for reasons of health or safety, and many were embodied in agreements to which the employers had put their names. This is perfectly true, but it is also frankly hypocritical. Some of the practices designed to protect health and safety are no longer valid because conditions of production have changed. Others have been formally included in agreements, not because there is any sense in them, but because employers were shortsighted enough to yield to union pressure. Rules governing the entry of apprentices into an industry often amount to a restrictive practice, in that they prevent expansion and unduly drive up labour costs. One-sided agreements of an informal kind should also come under scrutiny, such as ceilings set by the workers on the amount of work they shall do. It is sometimes argued that these are not restrictive because they would not in any case be reached, but they create an atmosphere of restriction, and for that reason should go.

It was agreed on Wednesday that, just as legislation would be inappropriate, there would be no value in pronouncements over the whole field of industry, and that the right approach (unlike that of 1948) is industry by industry, via the joint negotiating body for each. But, as the employers pointed out, the practices vary so much that there is almost a need for a firm-by-firm approach. Perhaps

the answer is for individual concerns to bring their particular problems before a body appointed by the joint council for each industry. If worthwhile results are to be obtained the method should be as narrow as the definition of restrictive labour practices is wide. It is important for all concerned with British industry that a success should be made of this venture.

From Gold Coast to Ghana

THE Gold Coast government's white paper on proposals for bringing about independence would be an unexceptionable document if the country were united. Perhaps significantly the white paper mentions no date by which independence could be consummated; but it will be brought before the next meeting of the Gold Coast assembly, probably in June. By then the results of the plebiscite in Togoland, to determine if Togoland wish to join the new sovereign state to be called "Ghana," will be known. The assembly, dominated—if somewhat theoretically—by Dr Nkrumah's battered People's Convention Party, will presumably approve the white paper. The British Government will then be asked to introduce an Act of Independence for the Gold Coast, and to issue an order in council removing the existing reserve powers of the Governor and arranging for Royal letters-patent to transform him into a constitutional Governor-General. The ball will thus be in Mr Lennox Boyd's court. His will be the final decision; and it is a far harder one than ever seemed likely when Dr Nkrumah swept to power in 1954.

The proposals contained in the white paper make every possible concession to the opposition, except federalism. They include Sir Frederick Bourne's recommendations for the regional devolution of powers and everything else. But the opposition has made it clear that only federalism will satisfy it. This makes Mr Lennox Boyd's position delicate. Upon independence the Ghana prime minister—whoever he was—would take over a police force which has behaved well under its British officers in a period of tension, but which is mainly composed of constables from the Northern Territories whose political representatives are the solidest part of the opposition. He would inherit an army recruited from the Northern Territories with no African officer above the rank of major. Thus he would, for the enforcement of public order, depend on the loyalty of the police and the African troops to his British police chief and Commander-in-Chief respectively. Would it hold, if the North and Ashanti tried to secede? The present smouldering revolt has gone on far longer without an explosion than most observers expected—but it will be Mr Lennox Boyd's invidious task to decide if the new sovereign state could be launched without local massacres and civil war.

Athenian Balancing Act

THE deadlock over Cyprus remains unbroken, but the future of the island continues to dominate the Athenian political scene. This week criticisms of the Foreign Minister's allegedly half-hearted handling of the

problem caused a Cabinet crisis. The campaign against Mr Theotokis, which is the work not only of the Greek opposition but also of the Cyprus Ethnarchy (which appears to have grown noticeably less restrained since the removal of Archbishop Makarios's controlling hand), finally provoked him into offering the Prime Minister his resignation. Mr Karamanlis, however, chose to stand loyally by his Foreign Minister, refused to accept his resignation and has since stoutly defended his government's policy on Cyprus in the Greek parliament. Political loyalties apart, he may well have felt that he could hardly allow an outside group, however much he might sympathise with its aims, to dictate his choice of either policies or ministers.

The whole episode reveals how slender is the tightrope on which any moderate and responsible Greek government must balance today. On the one hand it must meet the popular demand for a dynamic and forceful policy on Cyprus; and on the other, looking at Greece's wider interests, it must want to do as little further damage as possible to the Nato alliance in general and to Anglo-Greek friendship in particular. The present government's statements on Cyprus since the Anglo-Cypriot talks broke down and the Archbishop was deported have lacked neither force nor vigour. But the Foreign Minister, Mr Theotokis, has the reputation of being a mild and conciliatory man, and his critics complain that he has failed to translate brave words into bold action. The justification that he offered them in the Greek parliament this week was that the preservation of Greece's alliances with the West was the most important aspect of its foreign policy. Unfortunately this moderate approach is unlikely to satisfy either the government's critics or the many Greeks who sympathise with them. Some positive gesture by the British Government at this juncture could prove invaluable to the moderates in Greece.

No Spit for Burma

DESPITE the awful warning of what happened to Sir John Kotelawala in Ceylon, the Burmese government has been cheerfully confident that it would get a handsome majority from Friday's general elections. The ruling Anti-Fascist People's Freedom League (AFPFL) has held about four-fifths of the 250 seats in Burma's chamber of deputies since the last elections in 1952. This time no fewer than 32 of its candidates were returned unopposed, together with four members of an allied local party in the Shan states.

The opposition, apart from being split at least four ways, can find scarcely a single issue on which to make a stand against the League. All parties are agreed on the principles of a Buddhist welfare state; unfortunately for the opposition, it is the League to which the electorate is likely to give the credit both for laying its foundations and, further back, for winning independence from the British. All parties are equally willing to accept foreign aid from East or West, wherever they can get it. The election campaign has thus been confined almost entirely to personalities rather than policies. The main exception is the offer of the National United Front, the biggest opposition group, to negotiate with the still intransigent rebels whether they lay down their arms or not. But, since the opposition was not even able to draw up a combined list of candidates, tipsters

in Rangoon have been giving it only about fifty seats in the next parliament.

Some of the most interesting contests are in Arakan, on the western coast, and in the Shan states, the eastern hill region which borders on Laos and Siam. Both areas have vigorous regional parties fighting against the AFPFL or its allies, and in Arakan, which has connections with India, the local party is demanding statehood for the territory. This is a sign that U Nu and his colleagues have not yet completed the foundations of a stable and united democracy. As usual, opposition leaders have protested about the timing and organisation of the election; and U Nu has felt it necessary to call on civil servants not to interfere with the voting lest, in the robust old Burmese phrase, their country should "float in the world's spit." But the most forceful reminder of Burma's unfinished business lies in those constituencies where no election at all will be held because communists and other guerrillas are still too active.

Pressure on the AEU

THE strength of communist influence on a largely unwitting Amalgamated Engineering Union was shown at this week's annual conference of the union's national committee. In response to organised pressure for militancy the committee unanimously decided to present a "substantial" new wage claim, only seven weeks after its last claim was settled; the effect that this is likely to have on other union wage claims this summer cannot yet be gauged. But the rather special pressures now acting upon the AEU had been shown earlier in the conference, when the committee passed an aggressive resolution about automation. This was supported by communist delegates, and as one speaker on the other side pointed out, bore a remarkable resemblance to communist advice as given in a pamphlet called "Automation—friend or foe?" It demanded, reasonably enough, that automation should not be introduced without full information and consultation with union officials; but it also insisted that there should be no redundancy, and that every worker who is displaced by new machinery should be kept on full pay until other work is found for him, not merely in the same industry but actually in the same factory.

The conference, going from bad to worse, then carried an addendum to a resolution on the motor industry which congratulates shop stewards and members who actively resist redundancy and declares its support for any such resistance at the point of production.

This, as the president, Mr Robert Openshaw, pointed out, gives *carte blanche* to shop stewards to call unofficial strikes and it must weaken the power of the executive. He and his friends on the AEU executive evidently do not share the view that the way to meet technical progress is for each worker to dig a trench on the spot where he finds himself and to defend it to the uttermost. But they are finding it extraordinarily difficult to say so. In response to the general debate, Mr W. J. Carron, for the executive, merely protested mildly that not enough was yet known about automation to justify formulating a policy. His caution reflected the main present trouble about the AEU. It is a brave union leader who will suggest that his members might show restraint, and that some of them might even face a

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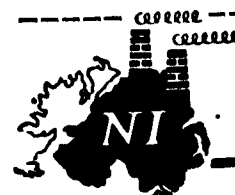
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few days' unemployment while they change their jobs—especially if, like Mr Carron, he is standing for election to the union presidency against a communist.

Dialectic in Union Democracy

THE coming elections in the Amalgamated Engineering Union are not only a shadow over its leaders; they are the most unnerving feature of the whole trade union scene for 1956. It is generally expected that Mr Carron will defeat his communist opponent, Mr Reginald Birch, in the election for the union presidency; although Mr Birch topped the poll at the first ballot, the anti-communist vote was then split among nine candidates. With the recent death of Mr Ben Gardner, however, the general secretaryship of the AEU is also vacant, and it will be interesting to see whom the communists put up for that office. Of the possible non-communist candidates, there are two assistant general secretaries. But at least one of them, Mr C. W. Hallett, is likely to be "election tied"—in other words, his own re-election for assistant general secretary falls due at the same time, and he cannot stand for both offices. He may choose to stand only for his old job, which he knows he can get. Mr John Boyd, the Scottish member of the AEU executive, is another possibility. Those who remember his handling of the Rolls-Royce strike in Glasgow last December wonder if he would be the right general secretary for a union under communist pressure.

These are the two major elections in the AEU this year. But all officers of the union are elected—not tidily, at standard times, but three years from the time that each individual took office. This is one reason for the very low polls at AEU elections—only 9 per cent voted in the first

ballot for the presidency—and for the growth of communist influence in the union. Many rank-and-file members regard politics as quite irrelevant in these elections and vote only when there are candidates whom they happen to know; there are 100,000 AEU members overseas—mainly in Australia, South Africa and Gibraltar—who probably have little idea what is going on; and many more at home are bored stiff with perpetual union ballots. Only the communists always feel impelled to leave their television sets. Another reason for the low polls, however, is that votes can be cast only by attending branch meetings on a particular night; unions that record bigger polls take the trouble to hand out ballot papers to their members at work. If the AEU survives this year's elections as a mainly non-communist organisation—and that "if" is still quite a tremulous one—its leaders should study urgently the possibility of a reform of this kind.

Disarmament in Microcosm

THE lightning transformation of the 1948 Brussels Treaty into a seven-nation Western European Union was a brilliant diplomatic feat. But the new machinery established towards the end of 1954 has ground slowly and not too well. In part the lack of spectacular achievement has been the result of a conscious decision to merge its work, on arms standardisation, for example, with that of Nato. To the extent that this has in fact been accomplished, WEU should be applauded, rather than criticised, for voluntarily taking a back seat. But it was given two responsibilities which were peculiarly its own: the Saar, and the task of creating an agency for the control of armaments.

The Saar, by its own choice, has become once again essentially a Franco-German problem. The arms control agency exists, but that is about all. Its development has been impeded by the inconsistencies in the hastily drafted protocols that are its basic charter and, even more, by the fact that the patchwork of the Paris agreements concealed basic differences of view. Briefly, the French have always wanted an agency strong enough to control German rearmament effectively. At times, they have also wanted this European agency to be designed as the nucleus of a wider disarmament effort. The Germans have been determined that any control should be non-discriminatory and, with increasing fervour, that it should not lend itself to industrial snooping. The British have wanted a system that would not be too expensive and that would satisfy the French without annoying the Germans. The Low Countries have wanted something that would work. Out of the differences of view, ambiguities in the protocols and a year of discussion, there has emerged stalemate.

The staffing suggestions originally made by Admiral Ferreri, the director of the arms control agency, were unanimously, and rightly, thrown out by the Union's council at the end of last year on the ground that they implied functions that went far beyond the intent of the protocol. In December, the WEU ministers requested the council itself to frame general principles to guide the agency. But after four months the council has been unable to reach agreement on the central issue—that is, at what stage in the production process the agency's inspectors can make spot

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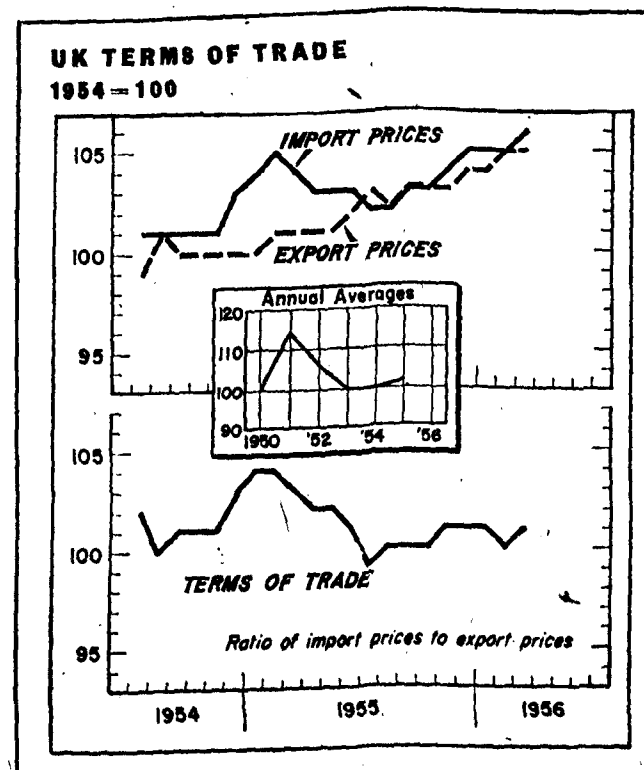
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checks to ensure compliance with the proscriptions and limitations contained in the protocols. The ministers of the seven member nations, when they meet in Paris next week before the Nato meeting, will have to find a way to break the deadlock.

No control is watertight if the will to evade it is present, and it has always been evident that wholehearted German membership in, and acceptance by, the western community is what matters in the long run. What is disturbing about the present impasse is not the lack of a functioning arms control agency, but the continued disagreement among the countries which lie at the heart of the Western European community. It is not a good omen either for the success of a disarmament effort among a larger and more disparate group of countries, or for any new unity in Western Europe.

Germany's Tower of Treasure

THE British taxpayer, who has had to be content with a lottery, may be excused some feeling of envy when he reads of the various proposals for tax concessions that have been pressed in the German federal parliament. The shadow of the federal elections to be held in the summer of 1957 already looms over the *Bundestag*. The opposition parties have called for sweeping cuts in taxation simultaneously with the introduction of large-scale new social expenditure (the tax programme put forward by the Social-Democrats, which consists entirely of reductions, deserves notice as a unique phenomenon in socialist politics). The government parties, who are equally aware of the approach of the elections, have taken the same line, the scale of their demands being smaller than the opposition's but large enough to produce a head-on collision with the Minister of Finance, Herr Schäffer; the cuts proposed from the government benches would reduce yield from income tax by at least 1,500 million marks, while other proposed concessions would cost as much again. Herr Schäffer, who is particularly indignant at the way the parliamentarians have sought to cut taxation while at the same time approving the government's proposals for more costly social services, has appealed to Dr Adenauer and to the constitution and has once again threatened to resign. Although he has already agreed to certain reductions, the gap between his position and that of the deputies remains far too wide to be easily bridged.

His isolation arises not only from the deputies' distant prospect of the polling booths but also from the mesmeric attraction of the large reserves he has built up over the past few years. For three years he has considerably underestimated revenue and obtained large surpluses above his estimates, and during the last two years he has also accumulated reserves with which to pay for rearmament, a policy that has drawn fire from critics who fear inflation when this hoard is released, as well as from naturally interested taxpayers. As actual spending on rearmament has moved so slowly, Herr Schäffer had accumulated by the end of March some 3,700 million marks (about £315 million), in addition to 2,400 million put aside for support costs. In Germany his hoard is known as the *Juliusturm*, after the tower in which the old imperial treasury's war reserves used to be guarded; and the tower is now hotly besieged from all sides.

Ironically, now that all parties seem united against him, the Finance Minister's case seems a stronger one than ever. The German economy is now facing full employment, and the proposed tax reductions, which would come into force in October, would make their effect felt in terms of greater purchasing power just as rearmament was getting under way. Unfortunately Herr Schäffer has cried "wolf" so often at times when inflation was still a remote and unlikely danger that he is now getting a less fair hearing than his arguments deserve.

An American in India

IT is not only the Russians who can charm Indian audiences. Mr Walter Reuther, the second-in-command of the recently united American trade union federation, went home last week from the most successful tour a western visitor has made in India since Marshal Bulganin and Mr Khrushchev were there. He was not only a reminder to Indians that America has one of the world's most virile and successful trade union movements; he also took the opportunity to talk bluntly about the fundamentals of western policy towards Russia. Instead of being offended, most of his hearers were delighted. The *Hindustan Times*, a fairly regular critic of pronouncements by American statesmen, called his address to the Indian Council of World Affairs a "most welcome whiff of fresh air," and talked of the "immense good" that his trip could do for Indian-American relations.

Mr Reuther occasionally put his foot down where a diplomat would hesitate to tread. He roundly declared his support for India's claim to Goa and said he shared its doubts about the military side of Seato. This no doubt won him the Indians' ears; but he went on to justify Nato, and to recall that in the years when the Indians were preoccupied with their newly won independence, the Russians had forced a policy of military preparedness on the West by a whole series of attacks on the independence of other nations. He rebuked those Indians who suspect the motives behind American support for countries which, like Pakistan, have joined hands to check further Communist expansion. Future western visitors to Asia can learn a good deal from Mr Reuther's example. They must be frank enough to admit their own side's shortcomings (as he apologised for racial discrimination in America's southern states) and acknowledge that poor and backward nations are really attracted by the sight of Russia's rapid industrialisation. If they can also show that they understand Asians' special points of view in world affairs, they will carry conviction when they speak of the many things free Asia has in common with the rest of the free world.

Royal Economy

OLD feuds around the Mountbatten name being what they are, it is not altogether surprising that two sections of the popular press have recently been testing their readers' reaction by lobbying brickbats at Palace expendi-

ture; but it is surprising, and rather disturbing, that they seem to have been getting part of the reaction they wanted. Some MPs report that they are getting several letters a week about supposed "royal extravagance." It is right that royal expenditure, like all official expenditure, should be kept under close scrutiny; but the trouble about the present campaign is that it does not spring from scrutiny at all.

The "complaints" have been a strange ragbag. One item that the press has been complaining about is the royal yacht, which one source has suggested was ordered at the Duke of Edinburgh's instigation. This is nonsense. The plan for a new yacht was conceived in the reign of Edward VIII, the idea of ordering it after the war was Lord Attlee's, and the yacht itself was laid down in 1948. Rude fingers have also been pointed at the new dining car for the royal train, and extraordinary estimates of its cost have been bandied about. Once again, however, the idea did not, in fact, come from the Palace, but from British Railways. The royal train was due for a new dining car, for the old one was 57 years old. Another item, which has reached as far as a Parliamentary Question, is the Queen's Flight. It had been stated in the press that a Britannia aircraft had been ordered for the Flight, and the Duke had been criticised for his use of a Heron aircraft. Actually no Britannia has been ordered. Two ancient Vikings are to be replaced by two more Herons, as being most suitable for the short flights which form most of the royal journeys. There are also to be two helicopters instead of one, and when a long-distance aircraft is wanted one of the corporations will lend one. Long before this campaign started, it had been made known that the Queen had expressed the wish that the Flight should be re-equipped as economically as possible; it will in fact cost £300,000.

The general financial background is even more startling. The annuities payable to the Queen for the Privy Purse and for her household, known as the Civil List, were fixed at £475,000 at the beginning of the reign and have not altered. This sum includes £95,000 a year to provide a reserve margin for contingencies such as rising prices. But the revenue of the Duchy of Cornwall amounts to about £90,000 a year, and this, after providing for the young Duke (Prince Charles), is applied to reduce the cost of the Civil List to the Exchequer. The Civil List does not include annuities paid to other members of the Royal Family, the Duke of Edinburgh's being £40,000. But some idea of the real savings that have been made in royal expenditure can be gathered from the fact that King George VI's Civil List amounted to £410,000, and those of George V and Edward VII (whose pounds were worth four or five times as much as the Queen's) to £470,000. Compared with any other era modern Britain is getting the panoply, and the constitutional advantages, of royalty very much on the cheap.

Dear Money Down Under

THE erratic swings of exchange reserves and of import controls "down under" have been the bane of British exporters in the postwar period and one of the sore spots of the sterling area as a whole. But during the past two years the New Zealand government, at least, has been groping

towards new methods of disciplining its economy. Breaking with the "cheap money" tradition enthroned by its Labour predecessor, it has, like many European governments, begun to make credit restriction the main weapon of a restrictive economic policy. Bank rate, which stood at 1½ per cent in April, 1954, was raised by stages to 7 per cent where it stands today—one of the highest rates in the world; the trading banks' minimum reserve ratios have been several times increased and they have been requested to reduce their loans. This revolution in policy naturally aroused criticism, not only from the Labour party. And in the elections early last year the government was surprised by the large vote which went to the strange social credit group, which declared that the country's economic difficulties were due to a lack rather than an excess of purchasing power, and charged that high interest rates served mainly to inflate the profits of the commercial banks. Partly to put these views to the test of reasoned criticism, the government set up last April a commission which was given the task of assessing the monetary credit and banking system in New Zealand.

The commission's report, which has now been laid before the legislature, is a sweeping vindication of the government's new orthodoxy. The social credit submissions are

Russia as Adversary

Before the war Russia was regarded throughout Europe with a vague feeling of uneasy awe. Her progress had been so great, so rapid, so uninterrupted, yet for the most part so silent, that it seemed almost like the march of fate, and produced a similar impression on the beholders. She appeared so overwhelming, and believed in herself so seriously and so firmly, that other States took her at her word. She simulated omnipotence so well that we almost thought her omnipotent. The misty magnificence in which she enveloped herself aided this impression. Nothing was defined about her, but everything was vast. She was felt and heard of everywhere—in every court of Europe and in Asia—in every dispute—in every emporium. No one knew exactly what her army numbered or what was its condition, but it was supposed to be almost unlimited. She was a sort of untested, half-seen, formidable nightmare, which might not be all it seemed, but yet might be still more. She was dim, colossal, unfathomable. No one could precisely tell whether her strength was that of the giant or only of the bully; but every one was sadly disposed to fear that it would prove the former. Now, all this vague alarm is dissipated. We have tried her power, and found it formidable indeed, but not resistless. We have proved her vaunted resources, and they have turned out far scantier and more easily exhausted than our own. Nay, we have found them fail precisely where they were deemed most unlimited—viz., in men and cattle. We have tested her soldiers, and found them brave and well-disciplined unquestionably, but inferior in fighting powers to every one of her antagonists. We have had ample reason to respect the scientific and strategic skill of her generals and engineers; but even this has not enabled her to make head against her adversaries. Her soldiers have been admirably led; she has always had numbers and generally position also on her side; yet in no single battle has she been victorious. Henceforth we know her real strength: this knowledge is of itself almost worth the war, and certainly could not have been gained without it.

The Economist

April 26, 1856

demolished and its analysis of the monetary system is dismissed as "erroneous and falsely based." Policy in the last two years is criticised—not, however, because its direction is wrong, but because it has been too cautious, because the tools of credit control, like the minimum reserve ratio, have not been used with sufficient resolution, because housing has been protected from the squeeze; in short, because the new orthodox policy has not been carried out with sufficient thoroughness and gusto. And the cheap money policy of previous years gets short shrift.

A report from our Wellington correspondent on page 392 describes the reactions in New Zealand to the report. It seems clear that, despite criticisms, the report has given both moral support and detailed advice which will help the government to push ahead with its more flexible monetary policy. And on Wednesday the Minister of Finance declared that further credit restrictions would be necessary.

Squeeze Again for Swedes

BRITAIN and Sweden follow the progress of each other's struggle against inflation like two sufferers taking the cure together. The news that the Swedes have decided to tighten their credit restrictions yet another notch will be studied with interest on this side of the North Sea. The State Bank, in the peremptory manner it has adopted since Hr Asbrink took command last year, has requested the commercial banks to reduce their advances by five per cent below last July's figure. This is the third such move in a year, in addition to an increase in bank rate. Last spring the *Riksbank* told the commercial banks to cut their loans until they conformed with the statutory cash reserves requirements; and in the summer they were required to slice another portion off their total advances. The effect

of this has been to reduce considerably the amount of funds available to Swedish industrialists. However, Hr Asbrink and Hr Sträng, the Minister of Finance, have decided that it was not enough.

Their motives are fairly plain. The trade unions, which accepted a flat four per cent wage increase this spring, have already served notice that they will not feel obliged to show the same restraint next year. In any case, when rises in piece rates and the drift of workers to better paid industries are taken into account, total wages are likely to go up twice as much this year as total production. Before next spring, then, Sweden's planners have two tasks to fulfil: to discourage industry from expanding its investments still further in response to rising demand, and to create a situation in which next year's wage demands will have as little effect as possible on prices. Last year private investment rose a good deal more than the government thought it would. The theoretical balance of national resources for 1956 allows for a further rise of only two per cent—an optimistic estimate which clearly calls for fairly stringent measures if it is to be fulfilled. This particular measure has presumably been chosen because an industrial inquiry conducted last year showed that most companies had found credit restriction much more effective as a rein on investment than the higher bank rate. But Sweden's latest swing of the monetary sword, if it finds its mark, will also increase the tally of unemployed; its success as an economic measure is likely to be matched by embarrassing political consequences. The Social Democrats, the dominant governing party, are no doubt hoping that these will not become apparent until after the general election in the autumn.

Can the Worm Really Turn?

THE will o' the wisp that calls the middle classes to unite and be militant is abroad again. A "Middle-class Alliance" was formed in the House of Commons this week. This is admittedly an advance; the first middle-class union was formed, fifty years ago, in the Cannon Street Hotel. But neither it nor its successors lasted long or achieved anything tangible.

It is not crabbing the admirable aims of the new body to point out some of its difficulties. The chief of these is that, though the middle classes have innumerable and just grievances, those of no one section exactly coincide with those of any other. The salaried professional man who longs for tax rebates on his children's private school fees has slightly different priorities from the shopkeeper who is content to send his children to a state school but is furious about his new rating assessment and fearful of any tightening-up over allowable expenses for income tax. The senior executive is fearful about this too, but his principal concern is with the higher ranges of surtax. The bank clerk's main need is a union as tough as the TGWU. The self-employed, unorganised intellectual is nowhere and can combine with nobody. To find a practical programme to which all these—and other, quite as diverse—elements can subscribe on the basis of "feeling middle class," and in the hope of getting back to the golden age (circa 1880?), will be no easy piece of manifesto-making.

Letters to the Editor

Overlords and Underbodies

SIR—It may well be in the national interest that industries of outstanding importance should be subjected to periodic review, as in the case of the nationalised undertakings. It is to be hoped, however, that great care will be taken in the selection of the investigating bodies. The electricity supply industry, in which I am employed, has recently been examined by a committee—the Herbert Committee—which is so removed from the facts of life that it actually believes that potential candidates for higher management can be selected and given varied employment experience within the industry "without the knowledge of the young men concerned" and, presumably, without the knowledge of their colleagues!

Although wordy and somewhat confused, the report appears to recommend, in effect, that the present Central Electricity Authority should be split in two: that a high-powered body, a national power board, should become responsible for the Authority's functions relating to generation and main transmission; and that a second and still higher-powered body should exercise the Authority's supervisory powers over the twelve area boards (who are responsible for distribution and sales of electricity to the consumers) and also supervise the new national power board.

This body of overlords is to approve the capital and revenue budgets of the "underbodies," their stock issues, their depreciation and reserve policies, their tariffs, their general plans and so forth, and is also to prepare annual reports, financial statements and other statistics for the whole industry. It is quite clear that such powers cannot be exercised realistically and effectively without close executive control, and this indeed is indicated in the Report.

What is not clear is who is responsible for what? Who speaks for the industry? Who acts nationally for the industry vis-à-vis the Government on, say, capital investment policy or nuclear generation policy? And, particularly as the underbodies are expressly excluded from representation on the supervisory body, who runs the industry?

This is a muddle-headed proposal which offers every facility for the hamstringing of the executive branches of the industry. The present integrated organisation can provide any reasonable measure of national co-ordination which may be necessary, and the powers of co-ordination can be amended if desired. Preserve us from non-executive overlords who exercise executive control!—Yours faithfully, SIMPLUS

Middle Class?

SIR—Your issue of April 14th reviews a work by G. D. H. Cole, "Studies in Class Structure," in which Professor Cole, after examination of the 1951 Census, puts 30-40 per cent of the population in the category "middle class." The reviewer points out that this estimate agrees with that put forward in a BIPO survey when 47 per cent of people questioned claimed to be "middle class." We may therefore accept this range as one upon which there is some agreement.

It is of interest, therefore, to compare these figures with your editorial, "A Middle Class Budget." Here reforms in income tax are proposed for the income-bracket £1,000-£3,000 (before tax) and in particular for reform of super-tax affecting only incomes over £2,050. I am not concerned with the merits of these proposals, but I should like to point out that the following statistics taken from the latest National Income Accounts (1955) hardly support your argument that these income ranges represent the "Middle Class."

Range of Incomes before tax (1954) (£)	No. of Incomes*	Per cent
Under 1,000	24,880,000	95.3
1,000 - 2,000	910,000	3.5
2,000 - 3,000	161,000	.6
Over 3,000	149,000	.5
	26,100,000	100.0

* Husband and wife are reckoned as one income

If the middle class are to be assisted by the Budget, then it is clear that the Chancellor should concentrate on those receiving less than £1,000, not on those receiving more than this.—Yours faithfully, WALLIS TAYLOR
University of Exeter

Dispersing Offices

SIR—In your issue of April 14th you suggested that the plans for moving civil servants from London should be hastened and extended, while at the same time acknowledging the rapid growth of private office employment in central London. The civil servant's private life is to be disturbed so as to set an example to other employers of office workers who show no sign of being prepared to follow it. Moves involving large numbers of Government staffs have been projected for some time, causing uncertainty to the families concerned. The planning of children's education and arrangements for eventual retirement are continually upset by rumours of transfers to distant parts of the coun-

try, because in the majority of cases the staff are required to go with the work.

There is no evidence that the Government is prepared to authorise the considerable expenditure which will be necessary to provide office accommodation in dispersal centres or that houses will be available in sufficient numbers to enable families to reconcile themselves to unwanted disturbance. Unless there can be planning on a national scale which requires other employers to make a contribution, the civil servant must be forgiven if he resists being used as "a more direct example" in this way.

His attitude is understandable when office staffs of other employers are being housed in large numbers in the areas, and in some instances in the same buildings in London, as government staffs are required to vacate on transfer to a destination where office and family accommodation cannot be provided on an adequate scale.—Yours faithfully,

J. L. WILLIAMS
General Secretary

Society of Civil Servants, S.W.1

A Revalued Penny?

SIR—Now that a letter costs 2½d. in stamps and a minimum bus fare costs the same could the humble penny coin be revalued?

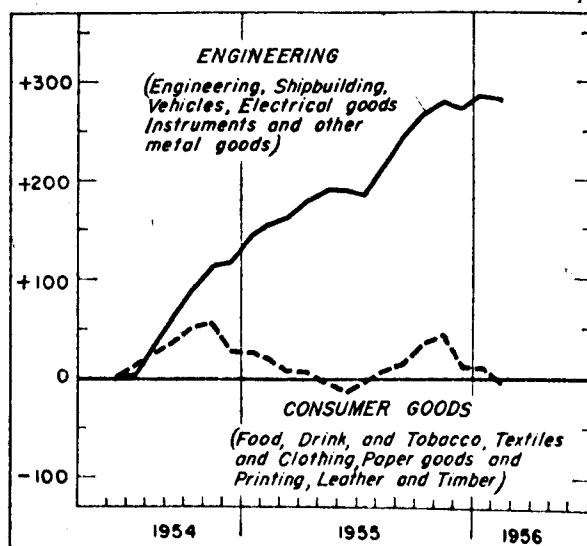
It would save everyone, the public, the conductors, the underground and tube ticket clerks, and maybe even the accountants so much time and fumbling for change if the penny were given boldly the value of 2½d., with the half-penny the value of a penny farthing and the old farthing the value of half as much.

The penny and ha'penny and farthing could retain their present names and aspects but we would be back to the days of penny postage and penny fares at least in name, if not in value. We could carry, and so need, fewer heavy coins and save something too on minting new ones. The old slot machines for stamps and other delicacies for the tongue could once again serve their useful purpose without conversion. Finally everyone's temper would be improved if one could tender the exact fare as we are expected to do.

Ultimately it might pave the way to a painless transition to a decimal system of coinage because the new penny (worth 2½d.) could be made to represent a tenth of a florin and ten florins go to the pound, so that £1 is. 10. could be written £1 11. And this without disturbing the value or form or name of the sixpenny bit or shilling or half-crown, which would simply take their place as convenient coins and subdivisions of the pound or of the florin like the half-dollar and quarter are of the modern descendant of the ancient thaler. If some old people were to find the transition a nuisance won't our grandchildren bless us?—Yours faithfully,

JOHN ALEXANDER-SINCLAIR
Geneva

CHANGES IN EMPLOYMENT
in GREAT BRITAIN
INCREASES OR DECREASES SINCE JUNE 1954 [THOUSANDS]





WHICH OF THESE AMERICANS IS A CUSTOMER FOR EUROPE?

A Texas cowboy, a Maine lobsterman, an Iowa farmer's wife, a Chicago corporation lawyer, a New York department store buyer. These are but a few of the incredibly varied types who are classified as Americans and comprise the American market. They differ radically from each other and other Americans in tastes, desires, needs and ways of life, and, naturally, in the kind of merchandise they buy.

Banks abroad desiring to obtain a favorable position for their customers in U. S. markets are invited to use the facilities of Manufacturers Trust Company. Through our complete branch coverage in New York City and our thousands of correspondent banks throughout the United States, we are exceptionally well equipped to obtain data on local market conditions in the United States and to handle all types of banking transactions.

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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.

Policy for the Cold War

Washington, D.C.

IF the Russian leaders seek evidence that their new tactics are confusing the west they could find it in Washington. There is much agitated discussion about foreign policy. The need to put out new ideas is asserted vehemently, but there is much modesty when it comes to suggesting any. The reigning cliché among the more extreme Republicans, almost all Democrats and the majority of newspaper editors and commentators is that America is losing the cold war. This view was recently fortified by a series of seven articles of almost unrelieved gloom by leading foreign correspondents of the *New York Times*. They documented with monotonous unanimity the distrust in which the United States is held in foreign lands and their meagre appreciation of the benefits of American aid.

Moreover, as the political campaigns get under way, foreign policy is being made so much of a partisan issue that an outsider might assume that it was a matter of genuine national controversy. This is not so. The country as a whole, as opposed to the capital, is extremely stolid about foreign affairs; to some this is a sign of maturity, to others a sign of apathy. Britain, for example, has been getting a better press than might have been expected over such delicate matters as its difficulties in Cyprus and its trade with the Communist east. Senator McClellan, Chairman of the Senate Investigating Subcommittee, is immensely indignant over British exports to Russia of items which sound like epithets for politicians, such as horizontal balancing and vertical boring machines. But his indignation has failed to spill over much more than his own committee room. Fears that Britain's entertainment of the two Russian characters in search of a stage might be misunderstood also turn out to have been unfounded.

The main reason why foreign policy seems like a political issue is that, apart from the question of farm prices, the Democrats cannot think of any other. Despite the huffing and puffing of the speech writers, there was a deep analogy in some of the remarks which President Eisenhower and Mr Adlai Stevenson delivered last week before the annual conference of newspaper editors. For in foreign policy, as in so many other fields, the Administration has been steadily occupying the ground held by the opposition. While Mr Stevenson goes on turning such old hay as Mr Dulles's reference to "unleashing" Chiang Kai-shek back in 1952, Mr Eisenhower and Mr Dulles are addressing themselves to four propositions which, while not exactly novel, are seriously intended to deck their convictions in

fresh attire. These are active sympathy for nationalist movements; ungrudging acknowledgment that neutralism has validity for young nations; a new emphasis on the non-military aspects of existing alliances such as the North Atlantic Treaty Organisation; and the granting of long-term economic aid with no military strings attached.

Thus Mr Dulles's speech on Monday was intended as a curtain-raiser for the impending Nato meeting in Paris. After turning a deaf ear for years to Canadian suggestions that Article II of the North Atlantic Alliance, which is full of social and cultural aspirations, be made into something dynamic, the Americans now plan to place it at the head of the agenda. In part, this is due to the new Russian strategy, in part to the desire of American policymakers to find a new approach to "the left" in Europe.

Apart from his persistence in listing religious piety and high regard for the personal ownership of property among the things that unite the anti-Communist world, Mr Dulles's speech was a useful review of the international situation. It suggests, at least, that the Administration is in a mood to think along constructive lines and it put in a less ambiguous light the essential point of the unfortunate appearance of the Secretary of State before the Senate Foreign Relations Committee some weeks ago. This is that, while foreign policy is in a sense more difficult to make when a common fear is not driving allies together, it is a denial of the very idea of diplomacy to refuse to take hope from Russian internal changes which may open up possibilities of freer diplomatic manoeuvre. For all the intellectual distrust which Mr Dulles has a knack for bringing upon himself, his judgment is probably closer to that of the country as a whole than the somewhat frenetic Democratic charges that the Administration talks too much, that it does not talk enough about its economic policies abroad, that it relies too heavily on its armaments and that it does not build up enough military strength.

★

But the Administration is not really clear about its new objectives. Sometimes, as in the Middle East, they conflict with one another. It is difficult to give economic support to the Baghdad Pact without appearing to favour countries that have military alliances with the west over those that do not. It is difficult to sympathise with nationalism in the Middle East without appearing to drive the British out; and the last thing American policy wants is to be confronted with the situation of 1947, when London announced

that it was leaving Greece and Turkey in Washington's lap.

Ironically enough, actual American policy is moving much closer to British policy in the Middle East just at the moment when the Americans have been reproaching the British with behaviour for which the British usually reproach them: insufficient understanding of nationalist susceptibility, too much emphasis on blunt verbal and military action and not enough political and economic tact. In fact, the State Department has, for the time being, abandoned two doctrines—that Colonel Nasser is the only man with whom it is worth negotiating a serious agreement in the Middle East and that meanwhile all issues on the rim of the Arab-Israeli dispute should be glossed over. But American strategists are still irritated by what appears to them to be a press campaign, supposed to be inspired by 10 Downing Street, to panic the United States into concrete military commitments.

In retrospect, Sir Anthony Eden's visit to Washington seems to have achieved even less than was thought at the time. There has been no perceptible sequel to the decision to review the blockade of China and no decision to put teeth into the Tripartite Declaration. The tripartite talks ran into three difficulties: the unlikelihood that Congress would contemplate war against Israel even if it was the aggressor; the unlikelihood that Russia would allow United Nations action against the Arabs; and the probability that it would not be clear who the aggressors were. For the British, action "outside" the United Nations meant action before the United Nations had a chance to meet; for the Americans, it still means action after the United Nations has failed to act—and that would probably be after the war was over. As a result of this Washington has been driven to rely on Russian co-operation in the United Nations as providing the best hope of disposing of this war crisis quickly. Until that is done, little progress can be made in developing the new American policies which responsible men in both parties now agree must be sought.

Split Over Atoms

THOSE who conceive and carry out the Administration's atomic policies may be feeling mildly schizophrenic. On the one hand, President Eisenhower has expressed deep gratification about the progress of his "atoms for peace" programme, but on the other hand his Administration is determined to go ahead with the nuclear tests scheduled to take place in May in the Marshall Islands despite mounting opposition at home and abroad.

The resistance to the further development and testing of hydrogen bombs is no longer restricted to pacifists, fellow-travellers and an isolated handful of uneasy scientists. It is now being voiced by the principal contenders for the Democratic presidential nomination, Mr Stevenson and Senator Kefauver. In a sharp attack on the Administration's foreign policy, Mr Stevenson questioned "the sense in multiplying and enlarging weapons of a destructive power already made incomprehensible." He urged the United States to give very serious thought to abandoning further nuclear tests which only served to represent it in an aggressive light. If Russia did not follow this example, tests could be resumed. This proposal appears to have

been modelled on arguments put forward earlier this month by Mr Thomas Murray, an unorthodox member of the Atomic Energy Commission. Mr Murray declared that the development of bigger hydrogen bombs had neither moral nor military justification. He said that tests should be stopped and that defence planners should concentrate on the small, tactical atomic weapons needed in "brushfire wars."

It is ironic that President Eisenhower should be represented as "sabre-rattling" with atoms. The "atoms for peace" programme, which he submitted to the United Nations in December, 1953, is an essential part of his policies. Last week this programme came nearer realisation as twelve nations, including the Soviet Union, unanimously adopted the text of a charter for an International Atomic Energy Agency. This organisation, which will be linked to the United Nations, but will not be subject to the jurisdiction of the Security Council, is intended to be a clearing house for atomic information and a bank for the deposit and loan of atomic fuels.

The relation of this idea to the military use of atomic resources is, of course, a cardinal element in the projects for disarmament which are being debated with so much deliberation in London; and Mr Stassen, on the United States' behalf, has made the relation very plain. Meanwhile, it is encouraging that the Soviet Union should have agreed to a plan which calls for considerable freedom in the exchange of technical knowledge and even for the exchange of personnel.

Party Business

BOTH parties met last week to plan the coming election campaigns; the Republican strategists were in a mood of buoyant confidence, but the Democratic organisers had a hard time concealing their gloom. Perhaps the main reason is that there are between \$4 million and \$5 million in the Republican campaign chest while the Democrats at present have less than \$100,000 in the bank. Their destitution is due to three causes: the party has only recently managed to pay off the heavy debts incurred during the presidential campaign in 1952; individual Democrats have been giving financial support to Mr Stevenson and Senator Kefauver in their bitter contests against each other, rather than to the party's national organisation; many backers who would contribute money towards a potential victory are convinced that President Eisenhower cannot be beaten and are saving their donations for a better occasion. But in American politics today, money literally does the talking: the Republicans have already booked more than \$2 million worth of radio and television time, but the Democrats were not even able to put Mr Stevenson's important foreign policy address on the air.

Their difficulties were symbolised by the dinner held in memory of Woodrow Wilson in Washington on April 21st. Instead of the 5,000 good men who have come to the aid of their party by buying tickets at \$100 a plate on previous occasions, only 2,000 showed up. There was too much competition: Miss Truman was getting married in Missouri and thus the party's star performer was away; Democrats in Minnesota were holding a "national dinner"

on the same night; Senator Kefauver was opening his campaign in Oregon; Mr Stevenson's supporters had scheduled an equally expensive dinner on behalf of their candidate for April 25th in New York and President Eisenhower was addressing the American Society of Newspaper Editors. Mr Sam Rayburn, Speaker of the House of Representatives and chairman-designate of the party's national convention in August, used the occasion to claim that because of the Administration's foreign policy "Christian civilisation stands in the greatest danger since the man stood on the sea of Galilee." Some of his listeners no doubt wondered whether "Mr Sam" was not equating "Christian civilisation" with the Democratic party.

In addition to financial worries, the Democrats are worried by signs that the Republicans are gaining in the country at large. The Gallup poll suggests that, although still the minority party, they have won some 5 million adherents during the past year and have been catching up on the Democrats among the young. So when Mr Stevenson recently remarked that President Eisenhower had left only one thing out of a speech—"He did not say he was for chicken on Sunday. I am in favour of that too"—many Americans may have applauded this sign of national unity and decided they could vote Republican with a quiet conscience.

Federal Foster Child

FROM A CORRESPONDENT IN WASHINGTON, D.C.

THE federal city is often spoken of by Congressmen, tourists and old Washingtonians in hushed and reverent tones as if it were sequestered behind pearly gates and, indeed, with the morning mists rising off the river, it frequently has the domed and pillared glow of a heavenly citadel. That Washington is also a busy metropolis of more than three-quarters of a million people comes as a shock to many, and the awed tourist, aiming his camera at the Lincoln Memorial, seldom realises that, by an anomalous twist of representative government, he has more control over the municipal machinery of the nation's capital than have the voteless inhabitants. They supply almost 90 per cent of the city's funds, yet have no representative voice in its management.

The District of Columbia is, in effect, a dual undertaking. Created in 1790 solely for the purpose of providing a seat for the federal government which would be free from interference by the states, it has also, in the course of time, become the ninth largest American city and the centre of one of the most rapidly growing metropolitan areas. It is administered as a branch of the federal government, and the United States Congress acts as city council at an annual cost of approximately 5,000 man-hours and \$2 million. With no local suffrage to provide a touchstone for legislative procedure, final responsibility for the District rests on the entire voting population of the United States, who remain happily unaware of it.

Accused of everything from colonialism to tyranny by its frustrated citizens, angered by echoes of "taxation without representation," the District government is in fact more like an erratically benevolent dictatorship of too many cooks. Administrative authority is nominally assigned to

three harassed commissioners appointed by the President, and legislative authority belongs primarily to two committees of Congress. But the commissioners' power is diluted and limited by some 75 federal and District agencies and, last year, fourteen congressional committees were involved to some degree in handling District legislation. Decisions are often the result of a tug-of-war in an atmosphere of crisis, made by Congressmen who are understandably inclined to see the politically unrewarding problems of the District through the eyes of their far-off constituents. District laws, including local ordinances, must pass through the usual 28 legislative steps of the United States Congress and be signed or vetoed by the President; in the process, a Bill changing the name of a local street may hold up a Bill on national defence.

This cumbersome and unresponsive system has been a particularly serious handicap in dealing with the city's post-war growing pains. These have also been aggravated by other factors, mostly financial. As a symbol of the nation and a model capital for the whole country, Washington must provide wide streets, imposing buildings and fitting welcomes for visiting VIPs. Yet it is denied many of the sources of revenue available to most cities and is losing some of those it has. Over 50 per cent of city property is government-owned and therefore tax free, and its largest industry, government, is untaxable and expanding; it is suffering from growing areas of blight and deteriorating public facilities; it is losing its wealthier taxpayers to the suburbs but is prohibited by law from extending its boundaries; it may not borrow by issuing bonds, and its budget is so closely balanced that any emergency must be met by a special authorisation of funds from Congress—which is quite likely not to be in session.

Congress keeps the city in a state of nerves by its capricious handling of the District's financial matters, particularly as regards the federal government's contribution to the annual budget, approximately 10 per cent of the total. Congress this year increased the federal contribution from \$20 million to \$23 million to meet the record budget of \$196 million, but at the same time local taxes were increased by \$13 million. A recent report reveals that while in six years the retail trade of the whole metropolitan area increased by 25 per cent and its population by 30 per cent, the District's share of each dropped from 75 to 60 per cent and from 61 to 47 per cent respectively. Yet District taxes for the coming year have gone up sharply compared with the surrounding area.

There are more immediate crises, however, over public transportation and education. After last summer's prolonged strike on the city's trams and buses, Congress cancelled the operating authority of the Capital Transit Company as from August 14, 1956, because of dissatisfaction with its "stockholders first" policy. No alternative management has been found.

The school crisis is the only one which has precipitated an appreciable public outcry. Already overburdened with the increased child population, the District's educational system has been further strained by the dislocation and mounting costs of integrating white and Negro schools. When the commissioners cut the Board of Education's request for 180 new teachers to 40, indignant parents took the irregular action of storming the House Appropriations sub-committee with requests for more teachers and higher taxes. The Board has now sent the sub-committee an unprecedented petition for funds to pay the required number of teachers.

One of the perennial problems before Congress is that of suffrage for the District's disenfranchised citizens. From 1802 to 1874 Washington had a locally-elected government which, having become bankrupt in an ambitious street-paving effort, "sold its birthright" for a "temporary" form of government by commissioners and a federal contribution of 50 per cent of municipal expenses, which unfortunately was really temporary. Today there is an articulate group which believes that District problems could be more effectively handled by an elected mayor and city council; this could relieve Congress of the more onerous municipal chores and incite the apathetic citizenry to civic effort. Such a system could be established by a simple Act of Congress. The opposition to this plan, which is led by a group favouring the maintenance of the present position, rallies around such phrases as "not real home rule" and "half a loaf" and urges that Washington should be represented in Congress before it has local self-government. National representation would, however, require a constitutional amendment; its chances of adoption appear dim, since Congress is loath to alter the political balance by adding members from the District. "Home rule" has the official support of both political parties and since 1947 a number of Bills have passed the Senate, but they have been buried in the House District Committee, which is dominated by Southern Congressmen fearful of how the Negroes, who make up 35 per cent of the population, would vote. However, hopes of prying the current home rule Bill out of the committee have been encouraged this week by President Eisenhower's endorsement of it, provided certain changes are made to safeguard federal interests.

Next Tuesday, however, the District of Columbia will have its first genuine election in eighty-two years when delegates to the Republican and Democratic national conventions will be chosen. Far more people have registered to vote and more excitement has been generated than anyone had predicted. This augurs well for the supporters of home rule who have been told repeatedly by Congress that Washingtonians are neither interested nor competent enough to engage in political affairs. Both Mr Stevenson and Senator Kefauver, competing for the District's six votes at the Democratic convention, have advocated home rule with enthusiasm, thus focusing attention on it as an issue. Meanwhile, Washingtonians are happily flexing their rusty political muscles and referring to civic problems as matters they could resolve if given an opportunity. Many, particularly the older people, are thrilled by the simple magic of voting: as a woman in her eighties expressed it, she hoped she would live till May 1st in order to vote at least once in her life.

Mixed Buses

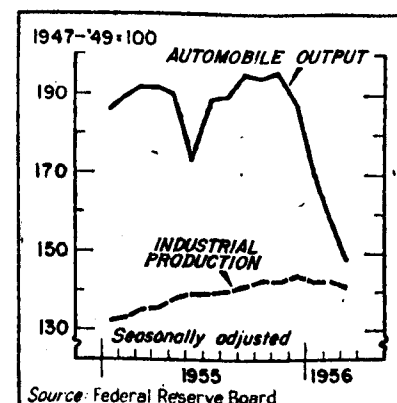
IN its majestic, if sometimes rather obscure way, the Supreme Court has taken yet another great step towards ending racial segregation in the South. It refused to hear an appeal against a lower court's decision that segregation on buses operating inside South Carolina was unconstitutional because it curtailed the civil rights of Negroes. Although the Supreme Court's action may have been concerned with a point of procedure rather than of substance, most observers believe that its ruling effectively invalidates local laws maintaining segregation on buses in South Caro-

lina and twelve other states. In 1946 the Court had declared that segregation was unconstitutional on buses which cross state lines, but its new decision is more significant, for it affects the daily lives and habits of millions of southern whites and Negroes who travel to work each day.

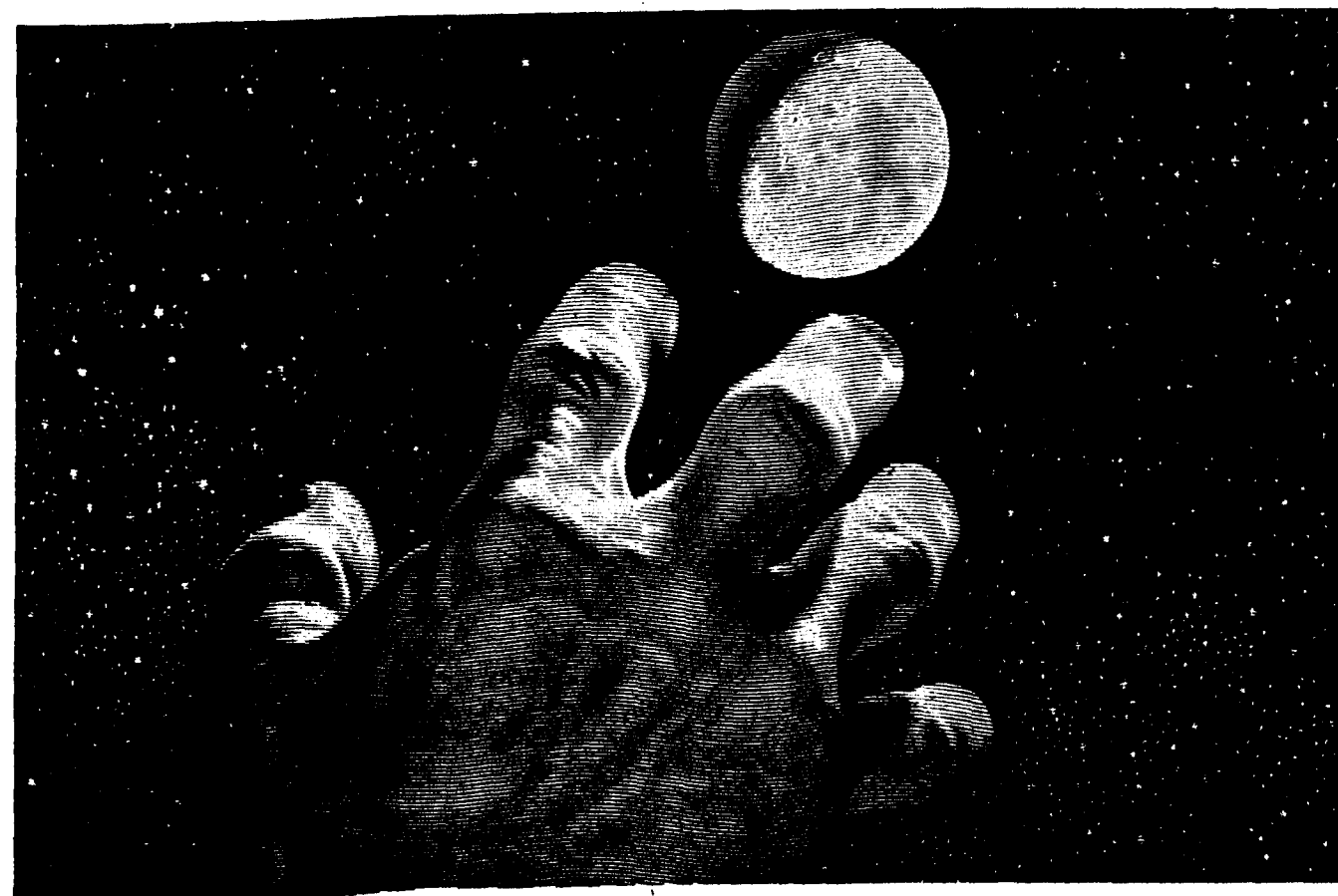
Those bus companies which are controlled by northern interests are complying rapidly and 13 southern cities have announced that they are abandoning their previous regulations. One of the quickest acceptances of the Supreme Court's action came from the City Lines in Montgomery, Alabama. This company has been losing an estimated \$3,000 a day since last December when the Negroes began a brilliantly organised boycott to protest against the way it applied racial segregation on its vehicles, its discourteous treatment of Negro passengers and its refusal to employ Negro drivers on routes in the predominantly coloured sections of the town. But whether Montgomery's buses will be full again remains to be seen, for the Negroes are waiting until all their requests are considered and the city government and police authorities have announced they are going ahead to "enforce segregation on buses just as we have been doing." Their rather lame argument is that "this damned thing applies only to South Carolina until they tell us . . . that it applies to us." In due time, the Supreme Court will no doubt tell them that it does.

Cars in Low Gear

THE industrial production index's decline in March, the month when a seasonal upturn is expected, is being blamed on the absence of the usual spring rise in the output of durable goods. In this category the chief deficiency is obviously found in automobile production; on the other hand, the steadiness of the figure for total output, when compared with the sharp fall in the automobile index,



suggests that the motor industry may not be quite such a basic factor in manufacturing prosperity as has sometimes been thought. The theory is likely to be more thoroughly tested during the next few months. For in the early part of the year industrial activity in other fields was stimulated by the lack of demand from the automobile industry and for its products. Manufacturers of such things as railway equipment were able, for the first time for months, to obtain all the raw materials, especially steel, that they needed and so to step up their output. The consumers who were no longer buying, or paying instalments on, cars had money to spare for other purchases, particularly of household equipment and other durable goods. These compensatory demands, however, will probably be satisfied before the decline in automobile production is halted. While total output, of 1,743,430 cars, during the first quarter of the year was 18 per cent below that quarter of 1955, the drop in the second quarter is expected to be about 25 per cent. Admittedly comparisons with 1955 are



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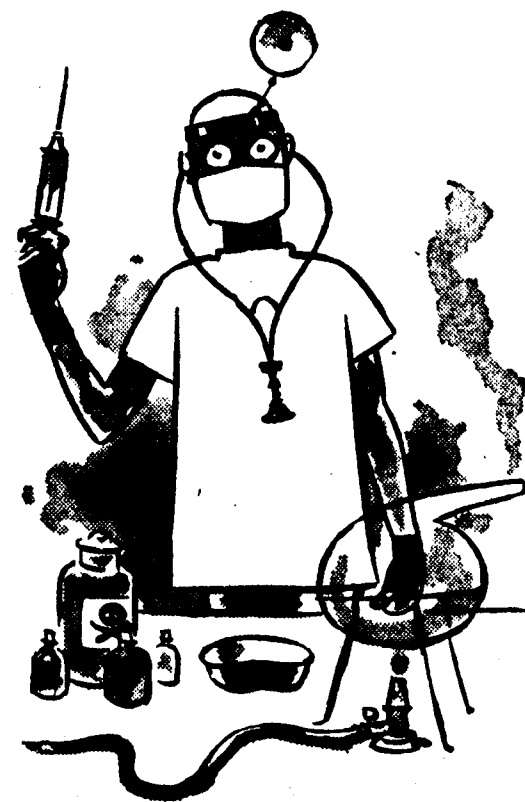
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P R O T E C T I O N

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misleading, since that was the year in which all records were broken, and output in 1956 is still running above 1954. But it is disturbing to find short working weeks, plants closing down temporarily, and workers being laid off, at a season when the industry is usually very busy. One spokesman gave a frank reason for the present difficulties: "a shortage of customers." Recently stocks of cars in dealers' hands were at the highest level ever known, over 900,000 units, but at last they have begun to fall, as a result of the reductions in output—at a time when they usually go up in preparation for the spring demand. What happens next depends on whether this demand develops anything like its normal strength. After their excesses last year, it would not be surprising if an unusually high number of consumers decided to postpone buying another car, or replacing their present one, until the new models appear in the autumn.

Looping the Loop

FROM A CORRESPONDENT IN CHICAGO

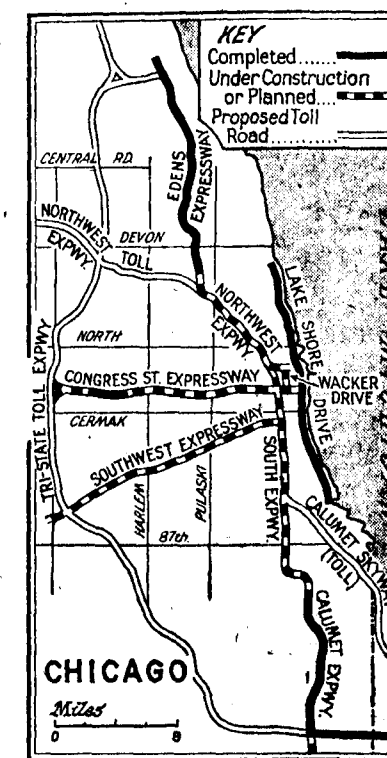
IN order to relieve traffic congestion and revitalise its central commercial district, the famous but now decaying Loop, Chicago has launched an ambitious programme of road construction. The plans call for 55 miles of roadways to be built by 1960 at a cost of some \$443 million. By 1965, it is expected that well over two million motor cars will speed along the new routes each day, and that motorists will save \$60 million annually in time gained and in lowered operating costs and accident losses. Moreover, the centre of Chicago, that dramatic jumble of slums and skyscrapers, has been suffering heavy competition from outlying shopping and business centres. The new roads and parking facilities should reverse this trend.

The new system will include four expressways—multi-lane roads of the kind which British drivers will enjoy when the London to Birmingham "motorway" is built. These expressways will radiate from the Loop towards the west, the northwest, the south and the southwest where they will link up with projected toll roads and interstate highways. A subsidiary road, the Wacker Drive Extension, will connect the western and northwestern routes near the Loop. So far, seven of the sixteen miles of the Congress Street Expressway—which leads westward—have been completed. The whole scheme was evolved from studies of European cities made by Daniel Burnham, a Chicago architect, in the nineteen hundreds. He was impressed by London with its two axial thoroughfares, the one going from north to south and the other linking Bayswater with Whitechapel.

Even the minor portion of the work done so far indicates that there are tremendous difficulties involved and that Chicago's physical, economic and social life will all be affected by the operation. The Congress Street Expressway has eight lanes for motor cars and a railway line in the centre. In its path were some 650 business and industrial premises which had to be removed and at its eastern end the road cuts through a large post office and a railway station. In the Loop area pavements were taken over in order to gain width and this meant that new ways for pedestrians had to be created in the form of arcades passing through buildings.

At first, it was thought that the demolition of factories would cause considerable economic hardship, but this proved untrue. The buildings that were levelled were

mostly obsolescent and the purchase money paid to the owners for their old properties gave them the means to construct new and more efficient plants in suburban districts. And where buildings have not been razed—in Wacker Drive, for example—the new expressway has encouraged owners to improve their properties, to add new fronts and so on, and this has meant higher property values. At the city limits—formerly an undesirable position because of inadequate transport facilities—the proposals for new roads have brought with them many prosperous families anxious to live in a semi-rural setting.



A much more serious problem was to remove and re-house some 14,000 "displaced persons." To begin with there was a housing shortage and the first three miles of the Congress Street route led through a slum-ridden area thickly populated by racial minorities of Mexican, Italian and Puerto Rican background. Out of psychological and social self-protection, these groups tend to stick closely together and their way of life is intimately tied up with their homes and neighbourhoods. So when the Department of Superhighways began clearing the right of way in 1947, it called on the assistance of the Housing and Development Co-ordinator. His staff soon realised what a complex job it had taken up. Occupants of condemned properties were notified and interviewed, and everything possible was done to find new homes for them. At first, the tenants protested, held mass meetings and tried to exercise pressure on the city government. But when they realised that eviction could not be avoided the search for new homes became frantic.

Naturally enough, elderly people were most reluctant to move. Some refused to budge until moving vans were obtained for them and one family insisted on taking along its large menagerie. A van had to be backed up against the doomed house and into this ark advanced some twenty-five pets—dogs, cats, pigeons and a parrot. But as the demolition extended beyond this inner belt of slums and into a more prosperous area, the attitudes of residents changed. Middle-class families were more prepared to leave their homes and search for new and better ones in the suburbs where, unlike the racial minorities, they found a ready welcome. In 1950, nearly twenty per cent of the "displaced persons" had to be relocated in public housing projects; by 1954, this figure had shrunk to two per cent. On the whole, the clearance proceeded calmly and only three tenants finally had to be evicted. The experience gained during the process will serve Chicago well since some 40,000 more people will have to be moved.

The World Overseas

Retreat from Stalinism in Poland

ECHOES of the Moscow congress sound louder in Poland than anywhere else in Eastern Europe. The break with the Stalinist past seems to be more radical, the recantation more sincere. A wide amnesty has just been proclaimed. A purge is still going on among judicial and police organs held responsible for abuses. Emigrés are being called back with promises that the slate will be wiped clean. Even the *Sejm*, the Polish parliament, is being encouraged to show some critical spirit in its dealings with the government. All these are external signs of a tide sweeping through the country with unprecedented force; its cleansing or disruptive power has still to be measured.

It is no accident that Polish communists are in the forefront of the anti-Stalinist campaign. Their grudge is long standing. After the war they had to parade under an assumed name, because their ancestor, the Polish Communist party, had been disbanded by the Comintern in 1938 and its leadership wiped out during Stalin's purges. Thus Poland's postwar rulers wore the shoes of Stalin's victims and found themselves in the curious position of both blessing and cursing the hand of Moscow which had brought them to power. From the very first they had to fight on two fronts: the struggle against a predominantly hostile population had to be combined with passive resistance to Russia's excessive demands. During the purge of suspected Titoists the Polish leaders protected Wladyslaw Gomulka because they were sufficiently aware of their own isolation at home and the difficulty of arresting the inexorable mechanism of the guillotine once it had started. They also knew that the antics imposed on them by Stalin were weakening their already precarious position inside the country. Yet the régime was too dependent on Moscow to protest, let alone to put up demands. It was not until Stalin was dead that the Polish Communist party could be rehabilitated and after the Soviet party congress the movement of protest gathered strength. How strong were the pent-up emotions of resentment can be judged from the violence of the present catharsis.

The whole press is full of anguished confessions. In this gigantic revaluation many party writers ask why for so long they had to subordinate their own conscience to a false collective one and cover known falsehoods and injustices under the hypocritical cloak of orthodoxy. The condemnation of the recent past is far from half-hearted. A poet describes this period as one when:

Men on crutches taught us walking
Blind men were carrying torches
Deaf men examined consciences on the market-place
And ascetic men indulged in crimes.

This is not the voice of the opponents of the régime. A great cry for inner party democracy is coming up from the Communist ranks themselves. Only open decisions openly arrived at, it is argued, can preserve the party from a repetition of the Stalinist nightmare. An end must be put to the double life, to the Jekyll and Hyde existence of the party. The campaign is not discouraged by the leaders. On the contrary, in official speeches or editorials one can hear the same criticisms of Stalin, the same repentant admissions about the past. It is proclaimed that this spring cleaning of Stalinist shibboleths will have to go much further before the party can regain its health.

The Polish retreat from Stalinism is much faster than the Russian; though it probably cannot be as orderly. The opposition is stronger, the ground more slippery and the situation could easily get out of control. A decade has not been long enough for the régime to strike very strong roots. It has to face a Catholic Church still commanding the support of millions. It also has to cope with its discontented peasants. Despite industrialisation, half the population is still employed in agriculture and only one-fifth of the land is in State or collective hands. The remaining mass of small-holders must have grave suspicions about a régime committed to the elimination of private property. In the towns, too, the leaders must reckon with hostility, and not only among those hankering after prewar days. The industrial revolution has been carried out largely at the cost of the living standards of the masses; it has also brought in its train a formidable and ever-present housing problem. Even those who turn a deaf ear to slogans coming from abroad have many reasons for discontent.

In such a hostile environment it is not easy to speak openly inside the small party circle without provoking dangerous echoes. It is one thing to give more scope to a puppet Diet, quite another—using Byron's words—"to tell pugnacious Poland to keep quiet." In the case of Poland the Russian dilemma of reconciling inner-party democracy with outside dictatorship is magnified. It is difficult to confine the expressions of discontent to those who carry a party card. Even the funeral of Boleslaw Bierut, the party secretary who died in Moscow after the Soviet congress, was apparently used by some people in Warsaw as an opportunity for an anti-Soviet demonstration.

The new official line will no doubt please the Poles. Measures, such as the amnesty, should also prove popular. Appetite, however, grows with eating, and if police pressure is weakened, some substitute for it must be found. The government has no intention of relinquishing its power, or of abandoning its conquests or objectives. In the transitional

period it must, therefore, try to buy public acquiescence at a high economic price. Hitherto, Poland has industrialised at breakneck speed regardless of human cost. Mr Ochab, the successor of Mr Bierut, has now admitted that the standard of life is lagging far behind industrial development. He has promised some immediate improvement for those workers and small officials who are in the worst plight. But how much is the government willing to sacrifice its objectives in order to achieve a rapid improvement in the well-being of the masses?

The heated discussions on this subject are responsible for the failure so far to publish the new Five-Year Plan (1956-1960). The plans of all the East European countries are now being co-ordinated and dovetailed with the Russian one. It would be a real sign of relative independence if Poland, which up to now has copied the Soviet model even down to the virgin lands and maize campaigns, were to emphasise the rights of the consumer at a time when this is a heresy in a Russia concentrating on heavy industry. Short of such a striking departure the Polish retreat from Stalinism runs the risk of ending in a panicky rout.

Danish Socialists in Trouble

FROM OUR SCANDINAVIAN CORRESPONDENT

THE unseasonable snow which fell in parts of Denmark last week did little to cool the passions aroused among the normally good-humoured Danes by industrial unrest. The series of strikes, which for four weeks threatened to paralyse the country's economy, were only checked when the *Folketing*, after a stormy all-night session, passed an Act giving the official mediator's proposals the force of law. These proposals, which satisfied only a small part of the workers' original demands, had been accepted by 74 per cent of the Employers' Federation but rejected, albeit by a narrow majority, by the Federation of Trade Unions.

Had these positions been reversed the Social Democrat government would have felt itself on firmer ground. Its reluctant intervention was greeted by a 24-hour general strike and a countrywide wave of protest demonstrations. In Copenhagen, a crowd over 100,000 strong demonstrated before the Parliament, brought traffic to a standstill, and called for the Prime Minister's resignation. Demonstrators in Odense stopped buses and overturned cars. At Aalborg, a policeman died after being struck by a missile. Rioting dockers in Esbjerg attempted to throw the cargo of a British merchant ship into the harbour. In the larger centres throughout Denmark the police made numerous arrests.

The Danish industrial conflict became critical in March when deadlock was reached in the biennial wage negotiations. The workers, who were clearly overcalling their hand, demanded increases of 20 per cent, which would have cost the country £30 million annually at a time when competition in export markets is increasing. A strike of petrol-tanker drivers, which stopped the distribution of liquid fuel, lamed internal communications, left schools and hospitals unheated, and forced tractors to stand idle. Several hundred Easter holidaymakers were marooned on Bornholm. Meanwhile the metal workers' strike brought shipbuilding work to a halt, and lost the country valuable export orders. Strikes of dockers and seamen prevented the turn-round of

ships and exports piled up. Confusion was worse confounded by the typographers' strike; only the former resistance organ, *Information*, and the Communist and Social Democrat newspapers continued publication.

The enforced arbitration agreement, which broke the back of the strikes, provides for wage increases of approximately 3 per cent, which will cost the country about £8 million per year; but it did not meet the strikers' demand for a 44-hour week. (The mediation agreement for agricultural workers, providing for more pay and shorter hours, will, if implemented, cost Denmark a further £3 million a year.) Most workers have now followed the advice of the union leadership and returned to work. Only the Seamen's Union, in which Communist influence is strong, and some bakers remain in revolt.

Although conditions are apparently returning to normal, there is a deep malaise beneath the surface which may well lead to fresh outbreaks or to falls in productivity which the country can ill afford. The strikes revealed that the Communists wielded an influence out of all proportion to their numbers; for a time the so-called "general staff" of shop stewards in Copenhagen wrested the initiative from the responsible trade union leaders. Since the disorders, the Communists have increased their hold on the important Metalworkers' Union. With some pardonable exaggeration, *Information* has written of "Czechoslovak conditions" and stated that a "puff of wind from outside would have blown the cardhouse over." It was fear of the Communists which caused the unions to overcall their hand at the outset.

Nigger in the Woodpile

Among the workers there is a widespread feeling that the Social Democrat government has betrayed its own supporters. It can certainly be argued that, if events had been allowed to run their course, substantially the same result might have been achieved without precipitating the unfortunate division between the political and trade union wings of the Social Democrat party. Hire-purchase commitments were already straining the strikers' budgets. The uneasy personal relationship between the Prime Minister, Hr H. C. Hansen, and the trade union chairman, Hr Eiler Jensen, perhaps helped to cause the division. But the real nigger in the woodpile was—as nearly always in Danish politics—the small Radical party, which threatened to gang up with the Conservative and Liberal opposition, and thus forced the government's hand. Even some of the employers question the wisdom and propriety of the government's action in riding rough-shod over the trade union vote, and in the *Folketing* several Social Democrats abstained from voting on the law to end the strikes. The government's prestige, which was at its zenith on Hr Hansen's triumphant return from Moscow a few weeks ago, has suffered a severe reverse.

While the immediate political consequences of the strike are clear, the economic consequences remain cloudy. In a desperate attempt to forestall a new inflation, the government has tabled proposals to check prices and profits, and to increase taxes on dividends. These stand little chance of obtaining even qualified support from the Radicals, except at the expense of further defence cuts. During the first half of April the foreign currency deficit with the National Bank rose by £3 million; this shows that Denmark's balance of payments position, which has steadily improved since last July, is once again endangered.

The Ghost of Tukhachevsky

BY A CORRESPONDENT

IN the revision of history now taking place in Russia the army is getting its proper share of the limelight. The blame for early defeats during the last war is now being shifted from the shoulders of the generals to those of Stalin, who refused to heed warnings from abroad and failed to listen to the professional advice of his generals. In a secret session of the Soviet party congress Mr Khrushchev apparently went even further and accused Stalin of sapping the strength of the army on the eve of the war by the massacre of some 5,000 generals and officers. Among the persons who are now rehabilitated in the pages of *Voprosy Istorii* are to be found the names of Marshals Gamarnik (who committed suicide) and Yegorov, two victims of that bloody purge. The turn of Marshal Tukhachevsky, the most distinguished of all these victims, can hardly be long delayed.

If Trotsky was the original creator of the Red Army as an instrument of civil war, it was Marshal Tukhachevsky who refashioned it as a force capable of taking the field in full-scale war against a great power. Although nominally subordinate to Stalin's henchman Voroshilov, Tukhachevsky as Vice-Commissar for War in 1936 was the real head of the armed forces and enjoyed an immense prestige and influence. On May 11, 1937, however, he was demoted to a minor provincial command, and on June 12th the Soviet government announced his execution, together with that of seven other generals, after an alleged trial *in camera* by court-martial. This was the beginning of a purge that began among the top-ranking officers and extended downwards right through the officer corps.

The official report at the time on the secret trial of Tukhachevsky and his associates stated that

These eight spies regularly supplied confidential information to the military circles of a foreign state; they committed criminal acts in order to undermine the strength of the Workers' and Peasants' Red Army; they worked to prepare the defeat of the Red Army in case of aggression against the USSR. They aimed at promoting the dismemberment of the USSR and the restoration of the power of landowners and capitalists.

What is most remarkable in the historical record is that a number of the highest-ranking officers of the army should have been willing, even under the severest intimidation, to endorse such charges against their colleagues. There are grounds for believing, however, that evidence of a sort was presented to them to persuade them that the accused generals were in German pay. Important testimony to this effect comes from the former German intelligence agent, Wilhelm Hoettl, who in his book "The Secret Front" relates a story told him by SS General Behrens who was executed as a war criminal in Yugoslavia in 1946. According to this account, Heydrich, having received information of disaffection against Stalin in the Red Army, decided, after consultation with Hitler, to strike a blow at Russian military strength by supplying Stalin with forged documents for use against Tukhachevsky. The task of preparing the material was entrusted to Behrens, who carried it out with the aid of expert forgers. The dossier was ready by the beginning of May, and Heydrich first tried to play it

THE ECONOMIST, APRIL 28, 1956

into Stalin's hands through the Czech General Staff. When this plan did not work out to his satisfaction, Heydrich offered them directly to an official of the Soviet Embassy in Berlin who was known to be a representative of the NKVD. In response to this approach a special messenger was sent from Moscow who bought the papers for three million roubles.

Partial confirmation of this account is provided by a story told by President Benes to Sir Winston Churchill and recorded by the latter in his war memoirs. Benes affirmed that the Czech authorities had learnt of communications passing between Germany and high personages in Russia and that he had passed on the information to Stalin. The attempt to transmit the forged documents to Moscow through Czech channels, as related by Hoettl, would explain the belief of Benes both that the Tukhachevsky group were working for Germany and that he, Benes, had rendered Stalin a great service by revealing the conspiracy.

If such documents were indeed used, it is probable that they would have convinced honest serving soldiers in Russia of the guilt of Tukhachevsky and thus enabled Stalin to divide the army which otherwise might have risen against him on the arrest of its leaders. It is unlikely that Stalin himself would have believed in the authenticity of the letters. He was undoubtedly aware, however, of the disaffection in the Red Army, and the documents would have provided the means of discrediting a dangerous military faction. According to Erich Wollenberg, who served for several years in the Red Army and was an admirer of Tukhachevsky, there was in fact a plan for a *coup d'état* against Stalin to be carried out by Red Army troops. If this is true, Stalin had cause for taking action against Tukhachevsky.

But there is, of course, a world of difference morally and politically between a purely internal revolt against a dictator and an agreement to betray the vital interests and integrity of one's country to aggressive foreign powers. In Wollenberg's version the aims of the Tukhachevsky group were the opposite of those attributed to them by Stalin's propaganda; they blamed Stalin for having weakened Russia by his policy of forced collectivisation and they charged him with failing to counter the menacing moves of German and Japanese expansion. They demanded a relaxation in internal policy, with concessions to the peasants, and a stronger external policy for the security of the Soviet Union. Now that the history of the Stalin era is being revised, we may hope soon to hear more about a movement the nature and purposes of which have hitherto been successfully concealed from the outside world.

Cocoa Feels the Pinch

FOR the first time in their nine years' life the Cocoa Marketing Boards of the Gold Coast and Nigeria are facing a substantial loss. The scarcity of cocoa began to ease nearly two years ago, after the market price had soared to a peak of £560 a ton. As supplies steadily became more plentiful, the price as steadily fell, until it recently dropped below £200 a ton, the lowest point for six years. In the

(Continued on Page 389)

THE ECONOMIST, APRIL 28, 1956



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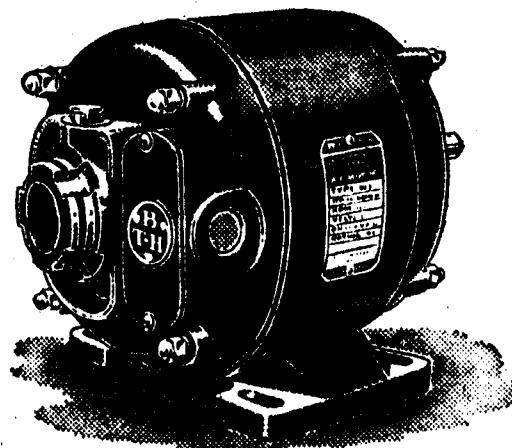
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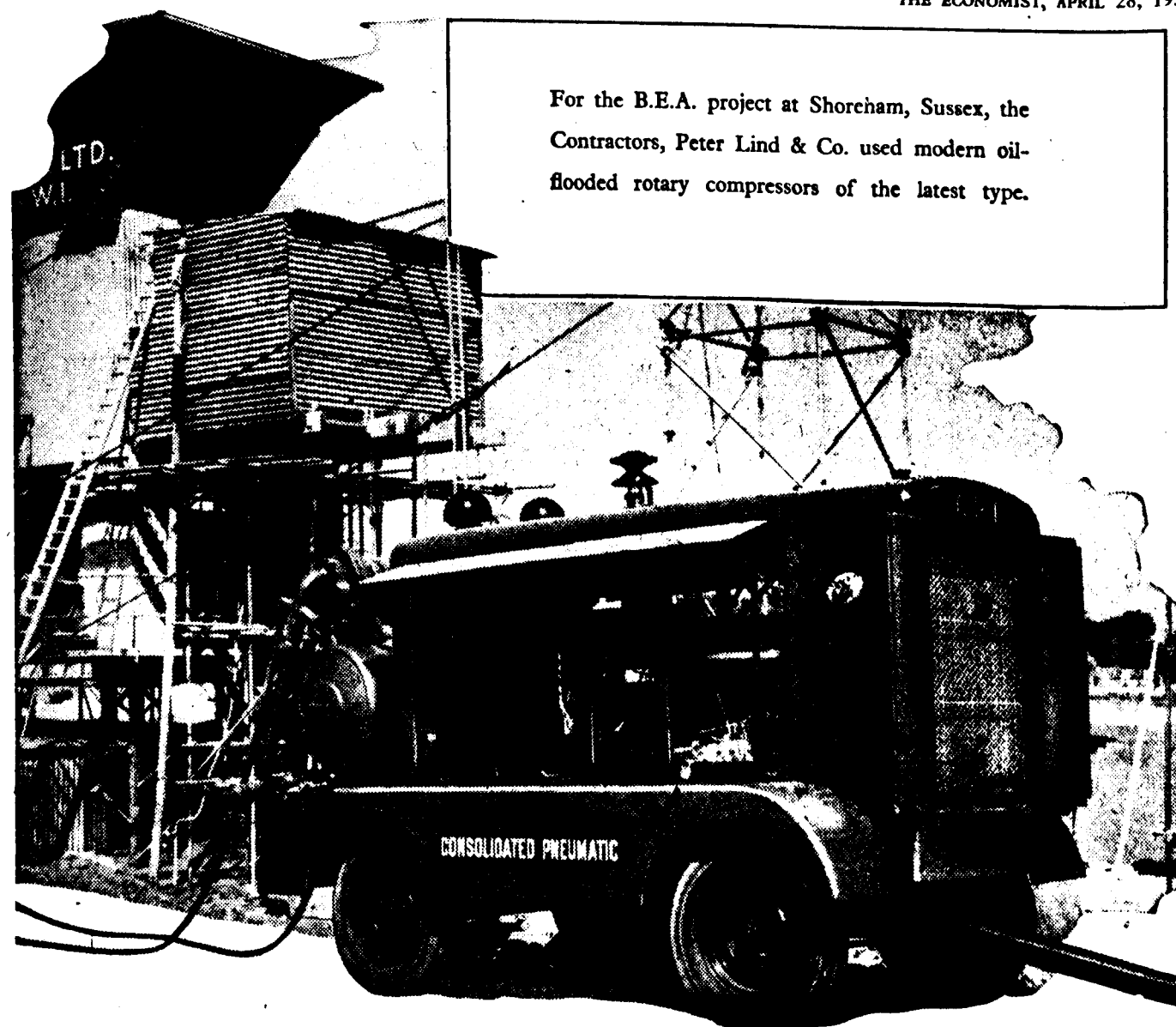
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1953-54 season, the last for which the accounts of the two boards have been published, the average price realised by both was £360 a ton fob. In that season the fixed price paid to the cocoa farmer in the Gold Coast—the world's largest producer—was £134 a ton and in Nigeria £170 a ton. After all expenses had been met, including the payment of huge sums in export duty, the Gold Coast board was left with a net surplus of £11.1 million, and the Nigerian board with a surplus of £6.2 million. Last season the average price realised for Gold Coast cocoa was probably in the region of £350 a ton, and the quantity was substantially the same as in 1953-54. Since the producers' price remained unchanged, and marketing expenses could hardly change much, the board's net surplus for 1954-55 must have been similar to that of the previous season. In Nigeria, however, the board's trading margin must have dropped by about 40 per cent, because the producers' price was raised by £30 to £200 a ton; the net surplus probably dropped in proportion.

Cocoa farmers in the Gold Coast are being paid nearly £150 a ton this season, an increase of £15, while the market price has fallen sharply. The average price of the 190,000 tons sold so far is unlikely to be more than £235 a ton. After paying export duty of about £67 a ton and marketing expenses of about £20 a ton, the board would be left with just under £150 a ton. Up to the present, then, the board has at best broken even. But the price of Gold Coast cocoa has now come down to £200 a ton and the board still has about 35,000 tons unsold. If all that cocoa had to be sold at present prices, the board would incur a loss of about £20 a ton, or £700,000.

Must Prices be Reduced?

Nigeria must have incurred a substantial loss already. The average price realised for the 95,000 tons sold so far can hardly be more than £225 a ton, for Nigerian cocoa normally fetches about £10 a ton less than that of the Gold Coast. After paying export duty (about £45 a ton) and marketing expenses (about £20) the board would be left with £160 a ton. Yet it pays the producer £200 a ton. Hence on its sales to date the board has probably lost about £40 a ton, or nearly £4 million. If the remaining 15,000 tons of the crop have to be sold at about £190 a ton the board's total deficit this season would be nearly £5 million.

A loss in one season is of no great moment to the boards' finances, for their reserves are large. Their accounts for 1953-54 showed that the Gold Coast board had a general reserve of £6.5 million, and its stabilisation reserve, which was set up to shelter the producer in times of low prices, stood then at £51 million. The general reserve of the Nigerian board, before it was distributed among the regional marketing boards that have assumed the central board's main functions, stood at £29 million; no specific allocation was made to a stabilisation reserve.

The political implications of a loss, however, could be troublesome. The government of the western region of Nigeria, which produces the bulk of the crop, is now responsible for fixing the price guaranteed to the farmer. Can it avoid reducing the price for the coming crop? The farmers no doubt will argue that the government should instead exact less in export duty, and let any remaining loss fall on the board's reserves. In the Gold Coast, where the fixed price is £50 lower at £150 a ton, the need for

a reduction is less urgent, and the government could be forgiven for wanting to maintain the price at least for another season. In both countries the reserves could well be drawn upon to cushion the full impact on the farmers of the fall in the market price. Though the cocoa boom is past the outlook is not altogether gloomy. World consumption is responding to lower prices, and will in time catch up with—if it does not surpass—world production. Any recovery in the price, however, will be moderated by the heavy stocks in consumers' hands.

Blueprint for Apartheid—II

FROM OUR CORRESPONDENT IN SOUTH AFRICA

THE Tomlinson commission devoted a great deal of attention and attached much importance to what is called "ecclesiastical development." The greatest and most difficult problem confronting it "was the fact that it appeared as if all efforts in connection with the development of the Bantu areas were arrested by the unwillingness of the Bantu." It came to the conclusion that the Christian religion and education would help "to convert this reluctance into spontaneous and purposeful action," because

the Christian religion is indeed a miraculous power which has radically affected the lives of the Bantu in such a way that no natural scientific explanation can be found for the transformation which has taken place in their lives. It is a supernatural power which has asserted itself in their lives and in every aspect of them.

The commission therefore believes that the churches should be deliberately associated with the entire development programme. It recommends the establishment of a special Church and Mission Affairs section in the Department of Native Affairs; the large-scale training of missionaries and Native spiritual workers; registration *de novo* of all churches and missionary societies; the issue of permits to all missionary workers among the Natives in order to prevent witch-doctors, communists, agitators and exploiters from carrying on their undesirable and politically dangerous practices under the cloak of Christianity. The commission also considers it necessary that in future a much larger percentage of missionary workers should have a South African background and training. It wants the Natives eventually to develop "a Bantu civilisation with its own Christian way of life."

The commission suggests a ten-year development plan under which £104 million would be spent on building up the agricultural, industrial, mining and commercial resources of the areas, and on providing health, welfare, educational and other services. Of this amount, £33 million would be spent on agriculture; £30 million on industry, commerce, financial institutions and so on; £13 million on basic facilities; and £12 million on urban development. More than a hundred towns must be established on an economic basis to house and support the 64 per cent of the population who would not be able to gain a living from agriculture. Investigation has shown that it should be feasible to establish and develop an iron and steel industry and quite a wide variety of secondary industries ranging from cotton textile and woollen industries to light metal factories and sugar



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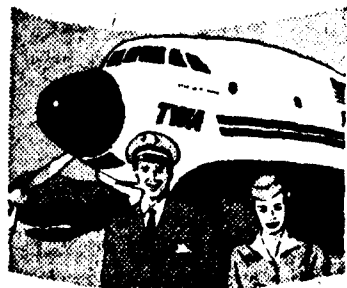
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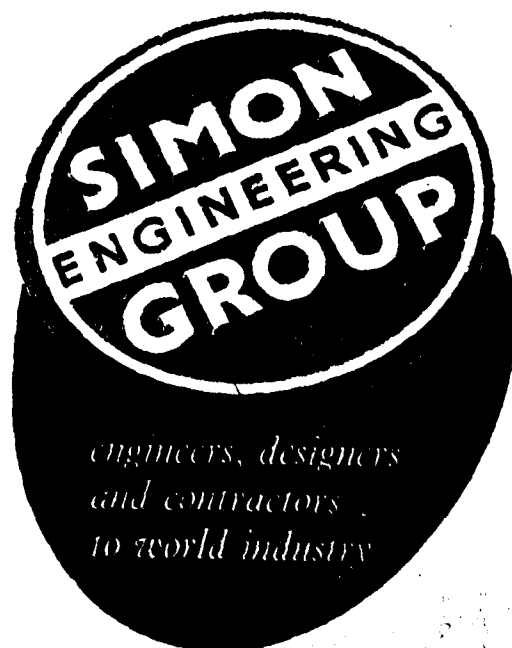
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THE ECONOMIST, APRIL 28, 1956

refineries. Native banks, building societies and insurance
companies would also have to be established.

In order to promote industrialisation in the Native areas
"the aim should be not to force industrialists to move into
the reserves, but to attract them there voluntarily by pro-
viding facilities such as transport, power, water and urban
development." The commission envisages that the "Native
sector" should have at its disposal the entire economic and
administrative machinery of the "European sector," and it
adds:

It is essential that the economic unity of the country and
the free participation of the Bantu areas in the total
economic activity of the Union should be preserved; more-
over, economic barriers or divergent directions of develop-
ment would not promote development, while different price
structures or a division of the national market area by
customs barriers, would be unthinkable. All establishment
of industries will, therefore, in the long run have to take
place on an economic basis, and there will have to be co-
ordination with the directions of development, economic
institutions and financial resources of the Union.

To begin with, Europeans would have to act as entre-
preneurs, but ultimately the Natives would have to take
over entirely, and they would from the outset be given pro-
prietary rights in both rural and urban areas. Paradoxically,
however, the commission does not recommend giving the
Native workers in the reserves the right to form trade
unions—they are not, it says, ripe for this. Although the
Natives "will tend to move in the direction of the industrial
civilisation of the European," they will not be westernised.

Footing the Bill

The money for all this gigantic development will have to
come from government as well as from private sources. The
commission suggests that the International Bank for Recon-
struction and Development and the American Point Four
programme might be possible new foreign sources of sup-
port. A Development Corporation for the Native Areas
would derive capital from the Nature Trust, and would also
be empowered to issue redeemable shares. After the first
ten years the Bantu areas themselves should be able to
provide substantial amounts for their further development.
But, as the commission rightly points out, a vitally important
question is "whether Bantu and European enterprise will
be attracted to the Bantu areas in sufficient measure to
utilise to the fullest extent the capital which will be
invested" there.

This is but one of many questions which the commission
leaves unanswered. The overriding issue, of course, is the
practicability of the segregation formula. One member of
the commission, Professor Bischoff, fears that it will prove
to be impracticable, and says, in a dissenting passage, that
"progressive integration, with its economic and political
consequences, will then have to be accepted." His views
are widely shared in other quarters. There is also the
question of the degree to which the Native people will co-
operate in a scheme designed by white men primarily to
safeguard their political domination. And the commission
does not touch on the vital issue of the political representa-
tion in the central government of the 16 million people who,
it hopes, will be living in the Native areas by the end of
the century. It was not asked to consider the problem of
political rights for the Natives outside the Native areas, but
it makes it clear that such people will not be entitled to any
rights because they are "visitors" to the white areas.

The fact that most of the "visitors" will never have lived
anywhere else and will be fourth or fifth generation dwellers
in the white areas is conveniently glossed over.

Moreover, will white capital, white entrepreneurs, white
technicians and supervisors be attracted to the Native areas
if they know they are to be there on sufferance and only as
long as they can be used and are needed? And what will
white industrialists and farmers say if black men start
moving to the Native areas in large numbers? Fifty per
cent of the workers in South African industry are Natives.
There are today 21,000 Native tractor drivers in the smallest
province, the Free State; the agricultural industry in this
area will collapse if these men decide to go and drive tractors
in the Native areas.

As a regional plan to develop an underdeveloped area, the
Tomlinson report has much to commend it. But it fails
completely to provide a satisfactory formula either for total
territorial separation or for co-existence in a multi-racial
society. This crucial problem remains as urgent as ever.

(Concluded)

German Free Democrats at Würzburg

FROM A CORRESPONDENT

THE conference of the German Free Democrats at
Würzburg last weekend was a landmark in the party's
history. It endorsed the breach with Dr Adenauer's coal-
ition and put the seal on the secession of the sixteen dissident
Bundestag deputies, including four Federal ministers. At
the same time, it provided some clues about the alignment
of forces for next year's Bundestag election.

The conference showed that for the present the remain-
ing Free Democrats manage to combine a certain amount
of unity with the greatest possible differences in background,
approach and temperament, ranging from the strong
personal quarrels within the leadership of the party's *Land*
organisations to the bizarre mosaic of varied opinions
without any common roots. Even the split with the dissi-
dent wing of the Federal Vice-Chancellor, Herr Blücher,
did not substantially reduce the number of different group-
ings, since it cut across them. The dissidents who have just
formed a new Free People's Party range from the "Euro-
pean" Herr Blücher to the rather nationalistic and right-
wing Herr Euler, the former chairman of the Free Demo-
crats in Hesse. The split was not primarily over ideological
differences, but over the question of whether the party was
with Dr Adenauer or against him.

It is therefore not surprising that opposition to Dr
Adenauer was the central theme at Würzburg. It dominated
the main speech of the party's chairman, Dr Dehler, who
was re-elected by a considerable majority, though largely
for lack of a genuine alternative. With his usual rhetorical
skill, Dr Dehler produced a brilliant criticism of what he
called the Chancellor's autocratic methods. Though he
vastly overplayed his theme, he did touch on feelings which
cut across party divisions. But there was little attempt by
any speaker to go beyond the general criticism that the
Chancellor did not pay enough attention to German
reunification and that he had neglected German interests

in the Saar. It was claimed that the Free Democrats had, above all others, won back the Saar for the Fatherland. The prominence given to the Saar question, which is almost the only one over which the Free Democrats can claim a success, is understandable. But it is full of risks, since it plays into the hands of the man who is now possibly the most dangerous active German politician on this side of the Iron Curtain—Herr Heinrich Schneider, the leader of the Democratic party in the Saar (DPS).

Herr Schneider sounded the shrill clarion call of extreme German nationalism. He compared the treatment of the Saar by the French in the postwar years with that of the Soviet Zone by the Communists and proclaimed the liberation of the Saar as the pattern for German reunification. He insisted that German reunification had to precede the establishment of European co-operation and demanded, in due course, direct negotiations with the Soviet Union on German reunification. No one except the chairman of the Berlin Free Democrats, Herr Schwennicke, contradicted Herr Schneider, who, in fact, received considerable applause. But when questioned at a press conference Dr Dehler said that Herr Schneider had merely put forward his own opinions and that these had not been agreed with him. While he to some extent dissociated himself from these opinions, one could sense his reluctance to engage in controversy with a man with a considerable following. The influential North Rhine-Westphalia group seems at one time to have toyed with the idea of Herr Schneider as a possible successor to Dr Dehler, and he certainly remains in the running.

The party endorsed the Düsseldorf switch to a coalition with the Social Democrats and at present favours this constellation for Bonn in 1957. But at the same time even Dr Dehler was careful not to rule out other possibilities; he confined his personal attacks to Dr Adenauer and was complimentary to the Federal Foreign Minister, Herr von Brentano, and the Federal Minister for Home Affairs, Herr Schroeder. The Free Democrats hope to remain the third strongest party in the Bundestag in 1957 and to be able to tip the scales. But it remains to be seen to what extent the new Free People's party will be able to draw away support from them. To maintain their strength, the Free Democrats will have to make up their minds on a positive programme acceptable to their various groups.

Orthodox Finance for New Zealand

FROM OUR WELLINGTON CORRESPONDENT

THE report of New Zealand's Royal Commission on monetary, banking and credit systems has been welcomed by the government, which admittedly has political cause to be grateful for it. It has also been welcomed on the whole by the press, banks, commercial interests and, as far as one can judge, by that considerable section of the public which still has misgivings about financial nostrums prescribed by unregistered and untried practitioners.

Inevitably its orthodoxy has been the chief criticism levelled against the report by those who want a change, and the most vocal of these critics are the social creditors.

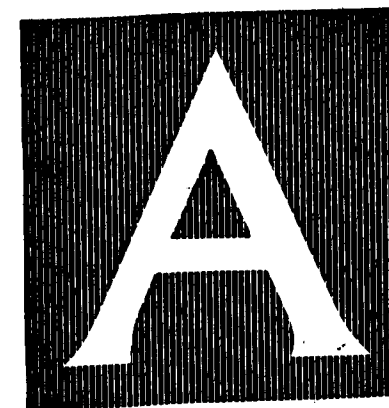
The commission spent a good deal of time listening to their evidence and theories. Its report said in effect that it could not understand some of their evidence, but what it could understand convinced it that social credit is no remedy for anything, but simply a short cut towards inflation and economic confusion. Naturally the Social Credit League does not like this and is saying so. The unexpected size of the social credit vote at the last election startled the government, and it obviously hoped that an objective examination of these troublesome theorists would provide an authoritative funeral oration on them. These hopes were fulfilled by the report, but it is extremely doubtful whether the corpse will lie down. Social creditors are now saying that they never expected anything else from the commission but a whitewashing of the present monetary system; they are certain to make this contention their chief argument at the next election and to obtain a good deal of support for it.

Criticism from the Left

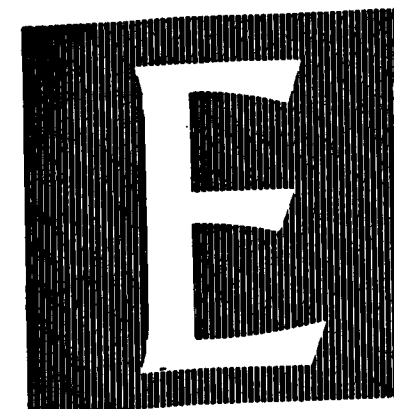
Apart from the social creditors, the chief criticism of the report comes from the Labour Party, which holds that anything wrong with the financial system is *ipso facto* the fault of the government and that any report which in general sustains the government is a poor one. In particular, it dislikes reports of criticism of the cheap money policy which the present government inherited from its Labour predecessor and which it has maintained largely because it lacked the courage to abandon it. Labour also does not agree with the commission's view that New Zealand's present housing policy is a contributory cause of inflation. The New Zealand Master Builders' Federation does not like this either and has already asked rather plaintively why building should be the only industry singled out in the report for critical attention.

The commission's recommendation that New Zealand should join the World Bank and the International Monetary Fund also creates political problems for the government. Some New Zealand opinion is strongly opposed to joining the World Bank. Labour habitually represents both the World Bank and the International Monetary Fund as covers for American dollar diplomacy and the social creditors say that overseas borrowing would not be necessary if their theories were adopted. The reserve bank has several times recommended that New Zealand should join the World Bank but the government has so far fought shy of the uproar which it fears this step would create. It may be helped to make up its mind by the report's recommendation, but, as the commission has pointed out, political considerations tend to weigh heavily in deciding New Zealand's financial policy.

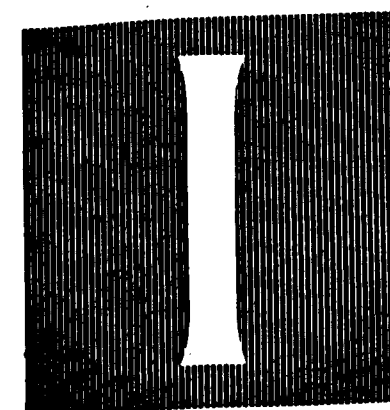
Most of the rest of the commission's recommendations do not present the government with any serious problems. It stopped short of an unqualified recommendation in favour of PAYE, and its criticism of the cheap money policy which the government is now in the process of abandoning will strengthen the latter's hand if it wants to expedite the process. The commission said some necessary and useful things about the need for strengthening New Zealand's overseas reserves and encouraging thrift and savings. Its report also has the virtue of being a lucidly written, plainly expressed document which provides an authoritative outline of New Zealand's existing financial and credit system and makes a number of practical, if orthodox, suggestions for its improvement.



every day



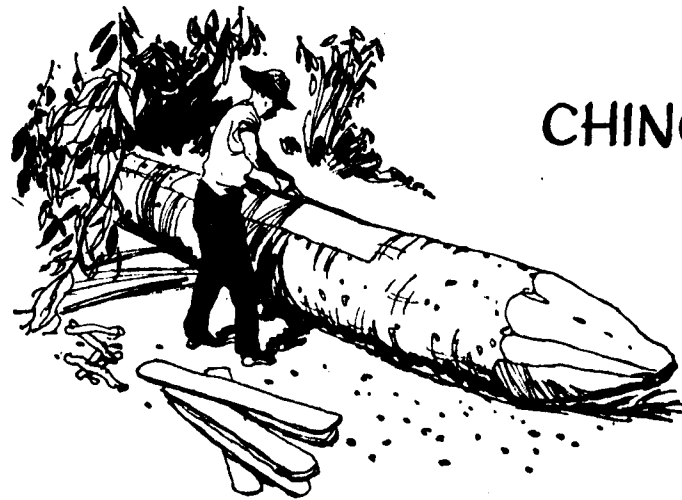
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10th April. The Clean Air Bill was considered at the Report stage in Parliament today. A major factor in the prevention of atmospheric pollution is the increasing use of electricity. Ever since 1900 it is broadly true to say that the use of electrical energy has doubled every ten years. AEI is the largest group of electrical manufacturers in this country with companies building equipment for the complete range of generation, distribution and use of electricity.

11th April. At Cranwell yesterday a senior R.A.F. officer emphasised the desire of the Service to modernise itself and substitute new 'push button' weapons for aircraft as soon as possible. B.T.H. built equipment for our Battle of Britain aircraft and today the AEI contribution to defence includes guided missiles, radar, gas turbines for the Royal Navy and even miniature cookers for tank crews.

12th April. The Minister of Education opened the Conference of the National Association of Mental Health at Harrogate today. Hospitals all over the world use Newton Victor X-ray and Ediswan shock therapy equipment for the diagnosis and treatment of mental disorders.



CHINCHONA

The Chinchona is an evergreen tree which is native to the well-watered eastern slopes of the Andes near the equator. Although it has been successfully grown in other parts of the world, it is still exported from Peru and neighbouring Republics.

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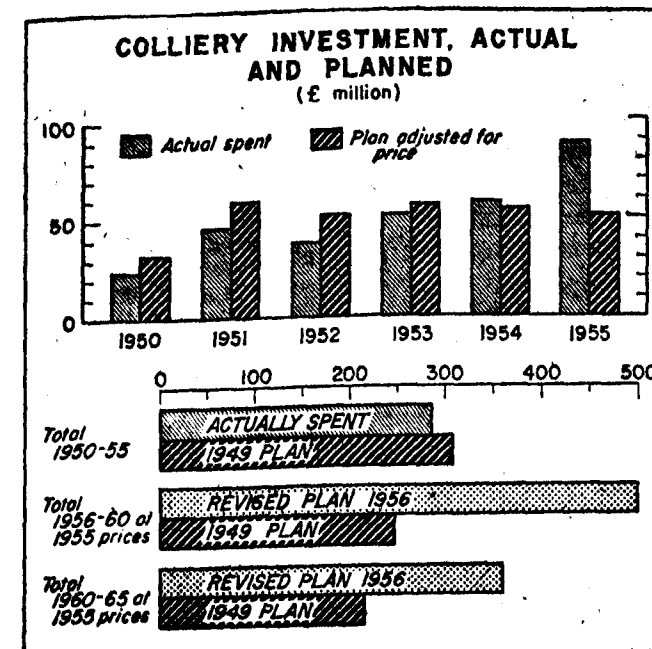
Cold Water on Coal

MOST people who have considered the future of Britain's fuel supplies at all recently have thought it advisable to hedge the bet made by the National Coal Board in 1950 that it would be able to mine 240 million tons of coal a year by 1965. The board, however, remained outwardly sanguine, making reassuring noises about "revising the long-term plan"; as recently as June last year, in its last annual report, it was even talking of "production of the order of 250 million tons a year" as "the most it could expect to be available by about 1965," though admittedly it did not quite say that this would all be available from the mines alone. But last autumn it did at length carry out a full revision of its long-term mining plan, asking every pit management in the country what it now, after six years' investment under the "Plan for Coal," really hoped to produce by 1965-1970.

The upshot may be, as the board says, realistic: it is also pretty dismal. The board no longer hopes to be able to produce 240 million tons a year from the mines by 1965; it has put this target back to 1970. It still intends to supply 240 million tons of coal in 1965; but it can only hope to do so by continuing to claw 10 million tons of opencast coal a year from the surface. It has already invested about £348 million in "collieries and associated activities" since nationalisation (including between 1950 and 1955, in real terms, nearly as much as it intended under the long-term plan). By 1960

it intends to spend another £500 million on this colliery investment, and between 1960 and 1965 a further £360 million; between 1965 and 1970, the board guesses, colliery investment may have to continue at about the same level. But output from the Coal Board's mines, into which these vast sums are being sunk, is not expected to exceed 216 million tons in 1960 (it was 208 million tons last year, but 214 million tons in 1953 and again in 1954); it is expected to reach only 228 million tons by 1965; and only 238 million tons by 1970. The board's original planned investment (over and above the compensation paid for nationalisation) in collieries, plus its mixed bag of ancillary assets, was to have cost some £635 million, reckoned at mid-1949 prices; the £353 million that has actually been spent since it began has, owing to continuous inflation, accounted for only some £268 million of that original total. The remainder, at today's prices, might amount to about £565 million. The board's revision of its plans, allowing for more major projects and for the fact that they turn out to be longer and costlier to complete, now raises expenditure between 1955 and 1965 to a suspiciously neat £1,000 million.

Why have the output targets been revised downwards, and the capital costs—inflation apart—revised so far upwards? This is a question to which the board's progress report "Investing in Coal" gives only rather oblique answers; those given this week by Mr James Bow-



man, the board's new chairman, were more resounding, but not much more detailed. The board did not make the most of its own real explanation, which is depressing but—at least in terms of physical output—fairly convincing. This is, in short, that in 1949 its planners did not properly comprehend the "factors of decline" that beset an extractive industry of the maturity—or senescence?—of British coal.

A mine is an underground factory with moving walls, and it works by consuming its own capacity for future production. With a long life already behind it, and after about 30 years of insufficient investment to maintain its capacity in being, Britain's coalmining industry contains 200 or more mines, with a present output of some 30 million tons a year, that are due to go out of production in the next 15 years. That is a steady, visible, reduction of capacity by about 2 million tons a year during the period of the Coal Board's plan. But the same process of working out productive capacity is continuously going on in many mines with a longer productive life before them: whole districts, seams, and coalfaces are being steadily used up, and the normal "development work" of opening up new coal workings to support production cannot keep pace with this loss of capacity. In such mines, merely to maintain mining capacity in being can require heavy investment.

One group of mines in Britain, again responsible at present for about 30 million tons, is having about £130 million spent upon major reconstruction schemes in it merely to hold output at a level that will, at the end of the effort, be about 300,000 tons a year less; put into new mine sinkings, that £130 million might yield 13 million tons a year of extra output. Investment, on this analysis, cannot simply be measured against the net increase in output that is finally achieved right across the industry; it has to wipe out a considerable "below the line" loss of capacity before the iceberg breaks surface in visibly increased production.

Since 1950, the board asserts, the yearly loss of capacity from mines that are dying and in others that have some time before they lie down may have totalled about 4 million to 5 million tons a year. At present, it says, about 4 million tons a year of capacity are being lost and have to be replaced by new capacity elsewhere; over the period of the plan, as more and more of the dying mines go out, this yearly wastage of capacity may be somewhat reduced. But new capacity has to be opened up to offset yet another loss of saleable tonnage—"loss of vend." As machine-mining sends up worse coal and more washeries are installed to clean it, the amount of dirt extracted from the tonnage raised

before it can be sold is rising steadily—at present by about a million tons a year. These are the major "factors of decline" with which the board has become uncomfortably familiar in recent years.

The board has not published a clear assessment of these investment needs in terms of tonnage "above and below the line." The accompanying table indicates the rough order of magnitude of these tonnages, so far as may be guessed from what figures the board has disclosed. In order to achieve a net increase in deep-mined output of 14-20 million tons a year by 1965 (taking present capacity as something between the 1954 output of 214 million tons and the 1955 output of 208 million tons), such an analysis suggests that the industry will have to create more than 60 million tons of additional annual capacity. So far, about £117 million has been spent on major schemes still to be completed, an expenditure that might be closer to £200 million if

ORDER OF INCREASE IN COAL-MINING CAPACITY, 1956-70			
	1960	1965	1970
Net increase planned in deep-mined output by:.....	4-10	14-20	24-30
"Below the Line":—			
Loss of Capacity:—			
1956-60.....	20	20.0	20.0
1961-65.....	...	17.5	17.5
1966-70.....	...	...	15.0
Loss of Vend.....	5	10.0	15.0
Total "Factors of Decline"	25	47.5	67.5
Gross increase in annual capacity hence required by:	29-35	61-68	91-98

increase of some 21 million tons a year in deep-mined output between 1947 and 1955 (more precisely the rise of 27 million tons a year between 1947 and 1952, and the stagnation and decline in output since), represented a growth of capacity covering both this net increase and the perhaps 25 million tons or so by which (on the board's figures) capacity might have declined. Quite obviously no such amount of extra capacity was created in the industry. The board generally holds that only expenditure on "major schemes and reconstructions" can be said to open new capacity; and only 20 such projects, costing in all about £11½ million, have been completed—creating perhaps a million tons of extra capacity.

That postwar increase of output, the board thinks, did not come from extra capacity; it came from using existing capacity more efficiently. Increased mechanisation and "general improvements" throughout the industry raised output by 12½ per cent during the period in spite of the tendency for capacity to diminish. But

For the future the replacement of this lost capacity and most of the positive gains in output and efficiency must come from the major schemes.

grossed up to 1955 prices; between now and the end of 1965 some £430 million is expected to be spent on further schemes to be completed in the period. The "marginal investment" per annual ton of output, therefore—if such a term can be used here—looks to be of the order of £10 a ton.

This table covers the period from 1956 to 1970, not the first six years of the plan. The board is a little coy about arguing that the

It should perhaps be added that making the capacity available will not ensure that the output is achieved: that depends also on manpower and productivity. The original "Plan for Coal" has often been criticised for its assumption—repeated in this week's revision—that manpower would be available in the numbers and at the places required; it also assumed, as the new plan does not, that a 2½ per cent improvement in attendance could be assumed, and has, therefore, decided that by the mid-sixties it will need nearly as many miners as it has now. The new plan's assumptions are in other senses even more hazardous. It is assumed that working time, as determined by the length of the shift, Saturday working, holidays, attendance, and effective working time at the face, will remain more or less as at present, "the outcome of any change being such as not, on balance, to affect output." These assumptions are clearly addressed to the National Union of Mineworkers.

The figures that the board has produced to show what this plan will cost will not bear an any more calculating scrutiny. In spite of the face-saving proviso that the country needs all the coal that can be produced "within reasonable economic limits," it is clear that wherever increased production has appeared practicable the board has not worried much about the cost of the coal. If the country hopes to achieve the economic expansion upon which forward estimates of mounting fuel demand are based, it is hardly in a position to argue. Between now and 1970, fairly certainly, there is no other primary fuel likely to be available in quantities that would enable Britain to do with much less coal than this. This is not a matter of the relative investment required—by which criterion coal might not be all that much cheaper. But anyone tempted to suggest this investment should be put into other fuels must be prepared to find the equivalent of about 60-70 million tons of coal a year for the money, not merely about 20 million tons a year

more. It may cost £10-11 of investment to produce one ton of coal a year in about eight to ten years' time; a ton of oil products, worth two of coal, can be found, drilled, delivered, and refined, probably quicker, for an investment of about £40 a ton/year; conceivably even nuclear electricity, back to uranium, may not require investment of a wholly different order from thermal electricity, counted all the way back to coal. But during the next fifteen years all that Britain can possibly hope to get of both these extra primary fuels will be required as well as coal—if the economy is to achieve its desired expansion. If it does not, the whole fuel problem shrinks; so does Britain's place in the world.

Of the £640 million that it expects to spend—assuming stable money—by 1960, the Coal Board hopes to provide about £300 million from depreciation allowances: it will need to borrow up to £350 million during the five years, and this week a Coal Industry Bill was presented by the Minister of Fuel and Power to raise the board's borrowing powers from £300 million, now largely exhausted, to £650 million. After 1960 the board expects to need to borrow little more: depreciation allowances on its greatly increased capital will cover its continuing investment. Capital charges, incidentally, are expected, again rather neatly, to swallow up any reductions in cost that might follow from this prodigious investment: Britain can count itself lucky if it gets the coal. All the financial implications of this plan are balanced upon such an airy structure of assumptions that it is difficult to know where any conscientious guardian of the public purse could begin to apply an effective scrutiny. The Chancellor of the Exchequer last week, in bringing the other nationalised industries under the Treasury for capital advances, as coal is already, felt that by "actually pressing the money into the piper's hand, you have a better chance of influencing the tune." What tune does one call for a thousand million pounds, return undefined?

Disinflation by Funding

NOW that Britain's effort to stop inflation is so largely entrusted to monetary policy, any sign of improvement in monetary technique and of sureness in applying it deserves a warm welcome. The launching this week of a new Treasury stock issue is such a sign. It is one of special importance, because it goes some way towards allaying doubts about the future of monetary policy that had been aroused by one aspect of the Budget.

These doubts sprang from the decision to discontinue, for two years, the financing of the nationalised industries by bank advances and by issues of their own Treasury-guaranteed stocks, and to finance them instead by direct lendings from the Exchequer. The budget speech made it reasonably clear that the purpose of the change was to make monetary policy more

effective. But the change could have precisely the opposite effect. Whether it will stiffen or weaken the monetary effort at disinflation will depend entirely upon the degree of realism and courage that the authorities show in regulating the Treasury's floating debt. The appearance of a new issue so soon after the Budget—it was announced last Friday week, and the lists opened and closed on Wednesday—was evidently intended to confirm the authorities' full awareness of the dangers. It was a sign that the grip upon the money supply should be tighter under the new procedure than it might have been under the old.

The authorities' control over the volume of money is exerted primarily through their influence upon bank liquidity. If the commercial banks find that a larger proportion of customers' deposits is repre-

sented by liquid assets than they currently think necessary, they will tend to expand credit—by buying investments or by lending more freely, thereby increasing the deposits until the liquidity ratio is reduced to its equilibrium level. Conversely, if that ratio looks too low, they will contract credit by selling investments or by tightening up on new lendings. And since the bulk of their liquid assets, apart from till money or cash at the Bank of England, consists of Treasury bills or short loans secured upon them, the volume of deposits tends to fluctuate with the supply of Treasury bills. If the Treasury is increasing its borrowings on such bills through the tenders, bank deposits will tend to expand—unless other influences, such as a rise in interest rates, either cause the banks to desire greater liquidity or attract other lenders to withdraw deposits from the banks in order to take up most of the additional bills themselves.

The strength of a disinflationary monetary policy therefore depends very largely upon the ability of the authorities to achieve a due contraction, or avoid an undue expansion, of the supply of Treasury bills. The doubt about the new plan for the nationalised industries arose from the fear that it might cause such an expansion. The Treasury must always finance by Treasury bills whatever portion of its cash requirements is not financed by other methods of borrowing—such as net sales of tax certificates, “small” savings, and sales of marketable stocks (whether by formal issues or by offerings by the Government broker). Now the Treasury has formally added to these cash requirements the £350 million that it expects to provide this year for the nationalised industries. Its “overall” deficit is increased correspondingly. To some people this seemed to threaten a large increase in borrowings on bills.

What has happened, in fact, is that the Chancellor has brought into the open, and into his budget accounts, a burden that he was carrying already. In the recent past, the issues of Treasury-guaranteed stock by the nationalised industries have evoked only a small response from investors. As a result they have had to be largely subscribed or carried by governmental agencies (such as the “Issue” department of the Bank of England). The money for these subscriptions, used by the nationalised industries to repay borrowings from the banks, has had to be found by the Treasury by additional issues of tender Treasury bills, but the subscriptions themselves have not had to be accounted in the Exchequer return.

The fact that there is no real addition to the Treasury's burden is not, however, any guarantee in itself that the volume of Treasury bills will not become excessive; and this year the risk of expansion is much increased by the big bond maturity, the £824 million of National War Bonds, that has to be faced next August. Moreover, it will be still further increased if, as must be hoped, Britain continues to gain gold, since the Treasury must provide sterling to pay for it. On

the other side of the account there is the hope that the new inducements to “small” savers will substantially increase the flow of cash through the National Savings movement, reducing correspondingly the need for bill finance.

It can hardly be expected, however, that sales of these and other non-marketable securities will provide more than a modest part of the Treasury's total requirements. The only means, therefore, of keeping a taut monetary control will be by a vigorous policy of selling marketable securities in order to avoid undue recourse to Treasury bills. The authorities believe that their chances of successfully pursuing this course will be much improved by the new arrangement. The argument is that it will be easier to sell direct Treasury obligations designed for the immediate purpose in view than it would have been to sell nationalisation stocks, the issues of which have in the past been timed largely by reference to the scale of the nationalised industries' borrowings at the banks. The prompt launching of the new loan is evidently intended to indicate that the process of disinflation by funding—which is the key necessity—will be steadily pressed forward. Sir Edward Boyle has put this point explicitly: the “various forms of funding and reducing the credit base,” he said at the end of the Budget debate, “will be used steadily all the time”—and he then cited the new loan as “the latest instance of this policy.”

It needs to be emphasised, however, that while this operation gives welcome confirmation of good intentions, it does not of itself demonstrate that the authorities' market tactics will be as forthright as may be needed. The issue took the form of a further £250 million tranche of the existing 3½ per cent Treasury Stock 1979/81, but the offering price of £81 was almost precisely equivalent to the market price of the existing stock. This suggests that the authorities are not yet prepared to accept the view that their fundings will be more effective if they offer clear inducements. In this instance, it can probably be argued that the issue is more attractive than at first appears, since the prospect of an inflow of insurance funds to the market, in anticipation of additional insurance business from the self-employed, might otherwise have been expected to raise gilt-edged prices. Thus far, the “departments” have had to take up the bulk of the issue, so that no funding has yet been achieved. But, as and when these hoped-for insurance monies flow to the market, there should be a corresponding outflow of stocks from the governmental holdings. A policy of merely waiting for demand to develop seems unlikely, however, to prove firm enough. If the August maturity is to be financed without a net addition to the floating debt—again, the key requirement—another formal issue may well be needed within the next three months; and it will be necessary to press stock more forthrightly upon the market.

ICI's Titanium Venture—I

Cheaper Titanium

IT was early in 1951 that Imperial Chemical Industries began to study one of the textbook methods of producing titanium metal that nobody else believed could be used outside the laboratory. In January this year, about six months after bringing a full-scale plant using this method into successful production at its Wilton works, ICI began to offer crude “granulated” titanium at 21s. (\$2.95) a lb, roughly 15 per cent cheaper than the current “world price” which American producers were quoting.

To reduce titanium from its tetrachloride with sodium metal is not a new reaction. It was indeed the method used by Hunter in 1910 to produce some of the first reasonable laboratory samples of this metal—which has been known since 1780, and is indeed one of the commonest occurring in nature, but which until 1938 had been one of the least useful metals to man. In developing the commercial process most commonly used today, Dr William Kroll of Luxemburg rejected the sodium reaction because of fears that the great heat involved in the reaction might not be sufficiently controllable, and because he expected difficulties in separating titanium from the reaction product. The successful process that he patented in Germany in 1938 and in the United States in 1940 involved the chlorination of titanium ore and the reaction of the tetrachloride thus produced with magnesium metal to give titanium metal plus magnesium chloride. Titanium occurs in nature as a dioxide in two ores, rutile and ilmenite. This dioxide is one of the whitest pigments known, and was in substantial production long before the metal was ever commercially produced; but there is no economic way of getting the metal directly from the oxide.

When ICI began research on titanium in 1949 it started with the Kroll process. It built a small Kroll plant in 1951 and later one that would produce 100 tons of titanium a year. By this time the Government, which wanted the titanium for military aircraft, was anxious to get to full-scale production: ICI indeed felt itself under some pressure to “freeze out” on the proved and until then universally used magnesium process. Meanwhile, however, the company had become interested in the sodium process. This, if practicable, had clear cost advantages; and with its unrivalled experience in the production and handling of sodium metal, ICI had a strong feeling that the sodium process must be able to be made practicable. The impasse was solved by something of a research breakthrough: ICI's General Chemicals Division became sure that they had a practicable technique and began to build a pilot plant capable of making 50 tons a year by the sodium route. Even before that was complete, the company was confident enough to decide on a full-scale plant at Wilton with a rated output of 1,500 tons of titanium a year. It ventured on this

costly capital investment on the basis of a government undertaking to purchase up to 75 per cent of its crude titanium production for four years. The contract, signed on August 6, 1953, called for ICI's full-scale plant to be operating within two years. It was.

Development of the sodium process from a laboratory reaction to a full-scale industrial process capable of producing titanium of high and consistent quality has been much quicker than the perfecting of the Kroll process. The American companies that used the Kroll process have now ironed out the quality troubles that used to beset them; but it took some years. The first trouble with titanium quality is to get it soft enough: the average hardness of all the metal so far made on ICI's Wilton plant has been similar to the average of full-scale American output.

The titanium plant at Wilton gets its sodium from electrolytic plants operated by the General Chemicals Division and buys its titanium tetrachloride from Titanium Intermediates Ltd. Both this tetrachloride, produced by the chlorination of a mixture of coke and rutile ore, and the sodium require additional purification before they are put into the titanium reactor. The main reaction consists of the addition of titanium tetrachloride to molten sodium under an inert gas “blanket” in an oil-fired furnace. At the end the titanium is left as a spongy mass embedded in solidified salt. Getting this out of the reactor requires much less work than the same job in the Kroll process.

The main cost advantages of the sodium process, indeed, come in separating the titanium from the salt. The mixed reaction product, ground down to a manageable size, is fed into leaching tanks, where the salt is simply dissolved and washed away, leaving the titanium for drying and packing as a granulated powder. In the Kroll process part of the magnesium chloride is usually recovered by “trapping” it in molten form, which gives a credit in the economy of the process; but the remainder is generally removed by an expensive high vacuum process. A leaching process can be used, but then recovery involves expensive purification procedures not required by the sodium process; even if recovery is not attempted, disposal of the magnesium chloride in solution might cause effluent difficulties. A sodium process sited on top of natural salt deposits, as Wilton is, does not require to recover sodium chloride; nor does the disposal of a salt solution offer any effluent problem.

Granular titanium, packed in drums, goes to ICI's main metals plant at Witton, Birmingham, to be made into wrought and semi-fabricated metal for sale. The melting of raw titanium to the primary ingot is itself a vexatious business, owing to the extraordinary facility with which titanium takes up oxygen, hydrogen,

nitrogen and carbon when hot. In its specially built plant at Witton, ICI at present uses a batch of water-cooled copper crucibles in which the titanium, pressed into small pellets, is melted in graphite arc furnaces under an inert gas atmosphere. It adopted this method, which it does not consider ideal, in order to get the plant up and working in time: so far the quality of the ingots produced for the commercially pure metal has been much better than ICI expected. But it is now putting in furnaces for melting titanium under vacuum by the "consumable electrode" method many American producers use, which should give higher quality, particularly for titanium alloys.

The ingots produced—cylinders about 12 inches in diameter and about two feet long, with a nominal weight of 400 lbs—require the rough skin to be machined away. So do the slabs, bars and billets that are forged under a two-ton hammer and a 1,500-ton forging press in the Witton titanium shop for conversion into wrought products—plate, sheet, strip, rod, wire and tube—on the normal non-ferrous rolling mills of the main plant. Yield is an important factor in these semi-fabrication processes. From the crude granules to the primary forging the loss is 20 per cent, to the bar 35 per cent; the average yield on the finished titanium products that ICI sells—for further working by its customers—is somewhat less than 50 per cent. Scrap recycling poses a series of very difficult problems. The segregation and sampling of scrap and the melting of this together with fresh raw titanium is by no means easy, while scrap badly contaminated with oxygen is irrecoverable. ICI is continuing to devote a considerable research effort to this problem and is already recycling scrap on a very limited scale.

Although yield is clearly a primary element in the cost of fabricating titanium, the capital cost of processing equipment also bulks large in the price of mill pro-

ducts. In terms of passes on a four-high mill, titanium and its alloys may tie up the mill for 10-20 times as long as say copper or brass. In terms of its pre-emption of key portions of a whole rolling plant and ancillaries—generally required for metals sold on a competitive market where ICI could easily lose business—titanium may tie up 100-200 times the capital that ordinary non-ferrous metals do. The Metals Division of ICI soon decided that the whole job must inevitably go to an all-titanium mill: ICI may be the first producer in the world to do this, at the new plant the company is putting down at Waunarlwydd in South Wales.

This may be the cheapest raw titanium in the world; it has cost a lot. In plant and working capital, ICI will have invested about £9 million by the time the new Welsh rolling mill is completed. Its research and development expenditure—and the proportion of ICI research effort that titanium has required during the last few years—raise this investment much further. In no ordinary sense can this be called a cheap metal.

What does the customer—at present, mainly but not wholly, the taxpayer—get for the price? What return will ICI get from its titanium venture? The nation gets a light, strong, and corrosion-resistant metal, 60 per cent heavier than aluminium but only 56 per cent as heavy as alloy steel, with a strength-weight ratio better than either—a metal without which, in some experts' opinion, military aircraft may not long be able to compete. That has made titanium production, despite the cost, essential to a nation striving to stay in the first division of defence. The return ICI will get—which it confidently hopes may go far beyond anything that the Government can guarantee—will depend upon the widening possibilities of titanium outside the military field. Those possibilities—and the chances of cheaper titanium to make them real—will be examined in a second article.

Business Notes

Reaction in the Market

IN the industrial share market prices continued to bound forward until Monday of this week. The *Financial Times* index had by then reached 195.3, a rise of 7.3 since the Budget. At that point the market boiled over; the volume of business shrank and in the next two days the index dropped a total of 3.6 points. It seemed that the first rush of delayed investment had been put through and the first feeling of relief that the Budget had contained no worse

barbs had worn off. In the gilt-edged market the check to the post Budget rise came sooner because it was deliberately applied. The announcement of the issue of £250 million 3½ per cent Treasury stock 1979/81 on Friday provided an efficient check. The Government Securities index had by then reached 87.54, an advance of 0.32 since the Budget. It dropped 0.40 in the first half of this week, so that though there was a rally on Thursday it had lost a little more than the whole of its post-Budget rise.

It is arguable that that suits the Bank of England and the Government broker fairly well and that what they need now is not a gilt-edged market that forges on to higher levels

but one which can absorb a rising volume of stock at steady prices. The conventional form of words used to describe the result of this week's government issue: "applications for up to and including £1 million have been allotted in full. For larger amounts the allotment is about 88 per cent of applications" emphasises the fact that the departments have subscribed and that Treasury 3½ per cent stock will obviously be added to the shortening list of stocks that the Government broker still has to offer to the market. Spreading of sales over a period are the inevitable sequel when as much as £250 million is required from investors. What the market must now take into account is that the stream is likely to be continuous, that the credit squeeze will be maintained, and that the market will be used as an instrument—as efficient as may be for raising finance. Another substantial Government loan must be expected before, and perhaps well before, the National War Bonds 1954/56 mature in August. The multiplicity of small loans will continue. The Ayr County loan of £2½ million five per cent stock 1968/71 offered at par with rights of conversion to the holders of the maturing three per cent stock which was opened this week, and the £2 million of Sydney County stock 1965/66 at 98 offered in conversion of the maturing £2 million of Sydney 4 per cent stock are examples.

BOAC and Mr Watkinson

THE top management of the British Overseas Airways Corporation temporarily disintegrated this week under the impact of a series of resignations and dismissals that can hardly be paralleled in the stormiest days of the corporation's history. Trouble in this case came out of a clear blue sky. The corporation had made a good recovery from that period in 1954 when its fortunes were at a low ebb, with the fleet of new Comets grounded, and the delivery of Britannias subjected to apparently interminable delays and postponements. The financial year 1955-56 had ended with a small surplus in hand, the first Britannias had been delivered and were being made ready for service, and the corporation was expecting its first deliveries in the autumn of the long-range Douglas Seven Seas for non-stop North Atlantic schedules. These aircraft would provide BOAC with the nucleus of a fleet more modern than those of the majority of its competitors. It was in these circumstances that Sir Miles Thomas, who has been with BOAC since 1948, and had been both its chairman and its chief executive since 1949, decided to resign and take up the post of chairman of Monsanto Chemicals.

The Minister of Transport, Mr Harold Watkinson, appointed Mr G. D'Erlanger to be the corporation's new chairman, on an unpaid and nominally part-time basis, but with expenses amounting to £2,000 a year—which, to a super-tax payer, are not insignificant. For one short period, Mr D'Erlanger was the chairman of British European Airways, but after a sharp disagreement on policy with the then Minister of Civil Aviation, Lord Pakenham, which was mainly concerned with the introduction of economies, Mr D'Erlanger's appointment was not renewed. It is therefore not surprising that in accepting for the second time the post of chairman of a nationalised airline, he has not

wanted to cut himself entirely adrift from his other interests and hence accepted the post on a part-time basis. The form of remuneration that Mr Watkinson has chosen is likely to be sharply questioned. But he is nevertheless fortunate to have found a new chairman who combines considerable airline experience with a business background, and this particular appointment is likely to be popular inside BOAC.

The New Appointments

IT is not Mr D'Erlanger's appointment that has brought BOAC to the verge of crisis, but the less explicit decision of the Minister to appoint Sir George Cribb, a distinguished civil servant from his Ministry, to the post of full-time deputy chairman. Mr Watkinson had decided, very sensibly, that with Sir Miles Thomas's resignation, the post of chairman and of chief executive of the corporation should no longer be held by the same man. He went on to rule that if the corporation was to have a part-time chairman, it should have a full-time deputy chairman to be answerable to the Minister whenever his chief was not available. The Air Corporation Act of 1949 allows for two deputy chairmen: BOAC already had one part-time deputy in Lord Rennell of Rodd. Sir George was appointed as the second. The chief executive, who was and is widely expected to be Mr Basil Smallpiece, the present deputy chief executive, who has had much to do with putting the corporation's finances on a sound footing, will be appointed by the new chairman when he meets his board for the first time early next week.

BOAC's truncated board is openly resentful of the new arrangement. The functions of the new full-time deputy chairman are obscure: there is a fear that he will come between the chairman and the chief executive, so weakening the status and authority of the post of managing director to something approaching assistant manager, which would be a quite unacceptable solution. Although Sir George had decided to leave the Ministry before he was offered the post of deputy-chairman, the feeling is strong in all ranks of the corporation that he has been appointed as the Minister's watchdog to bring the corporation more directly under the control of Berkeley Square. This may not be Mr Watkinson's intention, but he will find the belief difficult to dispel, especially since his comments during the week-end on the necessity for BOAC to buy and fly British aircraft have irrevocably linked the new board appointments in the minds of the corporation staff with Ministerial interference in the purchasing policy that sanctioned the order of the Douglas Seven Seas even though Mr Watkinson appeared partially to withdraw these later in the week. Lord Rennell has already resigned in protest; no one would be surprised if other members of the Board followed his example. Meanwhile, the Minister has chosen this time of general upheaval to tell Lord Burghley, a part-time board member of long standing, that his appointment will not be renewed.

Mr Watkinson's course is plain. He should refrain from any more statements about the future policy of BOAC, which are deeply resented in a corporation jealous of its

autonomy, and see that the new board has a breathing space, free from major decisions, in which to settle down. This week-end, BOAC is for all practical purposes without any effective management, and it will be no easy task to get it back into the smooth running order essential for an airline of this size and status. But the initiative no longer lies with Mr Watkinson. He will have to answer some difficult questions from the rump of the old Board about Sir George Cribbitt's precise functions and authority before it is even clear how many of its members will be prepared to co-operate.

ICI Pays the Same

IMPERIAL CHEMICAL INDUSTRIES is beginning to reap the benefits from its recent capital investments but its stockholders will not taste the fruit this year. The ordinary dividend has been held at 10 per cent. To some investors this decision will be as surprising as it is disappointing. As they notice the fall in the price of their units from 48s. 6d. to 46s. 9d. they will ask why the dividend has not been raised in a year in which the value of turnover has gone up by about 16½ per cent and the gross income by about 12 per cent. In reply, the directors can say that, while both the volume and value of sales have climbed to new record

THE ECONOMIST, APRIL 28, 1955

levels, the £411 million of sales, compared with £354 million, includes £43 million in respect of the company's Canadian subsidiaries for which only six months' sales were included in the 1954 figures. But this does not alter the fact that the gross income has risen from £47,684,602 to £53,579,085 and that this income is struck after charging more for depreciation (£20,379,824, compared with £16,617,557) and more for the employees' profit sharing bonus (up from £2,652,857 to £2,833,467).

It is true that comparing the full calendar year, 1955, with 1954 the ratio of gross profits to sales has fallen slightly. But it is also true that while sales in the second half of last year were almost exactly equal to sales in the first six months of the year, profit margins seem to have been higher—in contrast to the experience of some other chemical companies. In the first six months of 1955 the group earned an estimated gross income of £20,855,000 from a turnover of £206 million and in the last half of the year a gross income of £32,724,000 from a turnover of £205 million. Part, but only part, of the apparent increase in the six monthly income figures may be due to the late declaration of dividends by associate companies. Taxes on these profits were higher, at £23,900,433 compared with £21,226,230 in 1954, but the group's net income rose from £21,741,904 to £23,977,733 from which the net ordinary dividend absorbs £8,167,631. The dividend looks conservative. Is this because ICI still has heavy capital expenditures facing it or is it simply because the directors have taken heed of the Government's exhortations for dividend restraint?

How Big are the Reserves?

THE figures of the central pool of gold and dollars published monthly by the Treasury cover only that part of the sterling area's gold and dollar holdings which is under the control of the Exchange Equalisation Account. The figures represent the measure of the backing available to the managers of the sterling exchange; but the total reserves and working balances are swollen by the separate gold and dollar holdings of overseas sterling countries, and by the dollar balances of private firms and individuals in Britain. Figures of these balances are not issued by the Treasury;

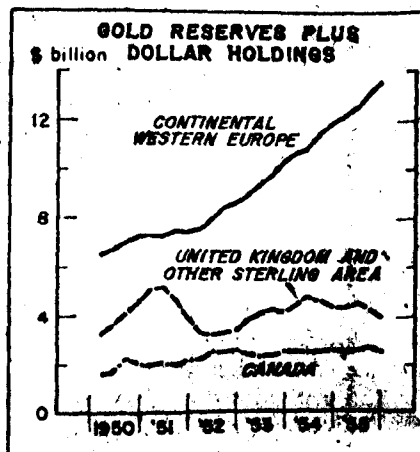
but detailed estimates are published by the US Federal Reserve Board. It will be seen from the table that, at the end of 1955, the total gold and dollar holdings of the sterling area thus computed reached all but \$4,000 million—nearly double the published central reserve, though about \$266 million of the total was attributable to South Africa, which takes no part in the sterling area's gold and dollar pool.

STERLING AREA HOLDINGS
(\$ million)

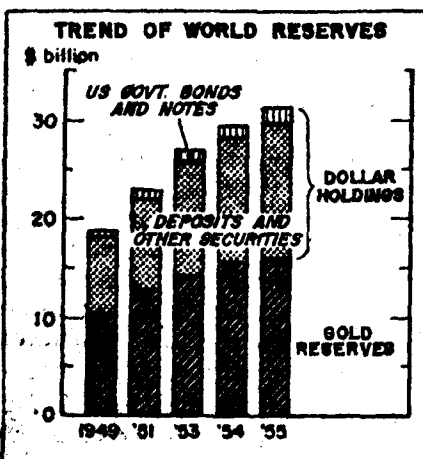
	Gold reserves	Short-term dollars	US Govt. bonds and bills
UK	2,050*	543	282
Colonies	...	88	12
India	247	73	1
South Africa	212	53	1
Others	254	179	4
Total sterling area ..	2,763	936	300

* Estimated holding of Exchange Equalisation Account; published holding of gold and dollars together was \$2,120 million.

The Federal Reserve states that in 1955 there was an increase in private dollar holdings of the United Kingdom—so that its total gold and dollar reserve fell by only \$530 million, compared with the fall in the British Treasury's figure



of \$642 million. But, as the chart on the right shows, the trend in the sterling reserves presents a sorry contrast with the remarkably persistent climb in the reserves of the continental countries. In 1955 nearly the whole of the increase in reserves of countries other than the United States was in dollar holdings, as opposed to gold. A large proportion of that increase was in private holdings. In Britain these holdings comprise mainly the working balances of corporations trading in the United States. Most continental countries in contrast have recently permitted their foreign exchange banks and private traders to maintain their own dollar holdings.



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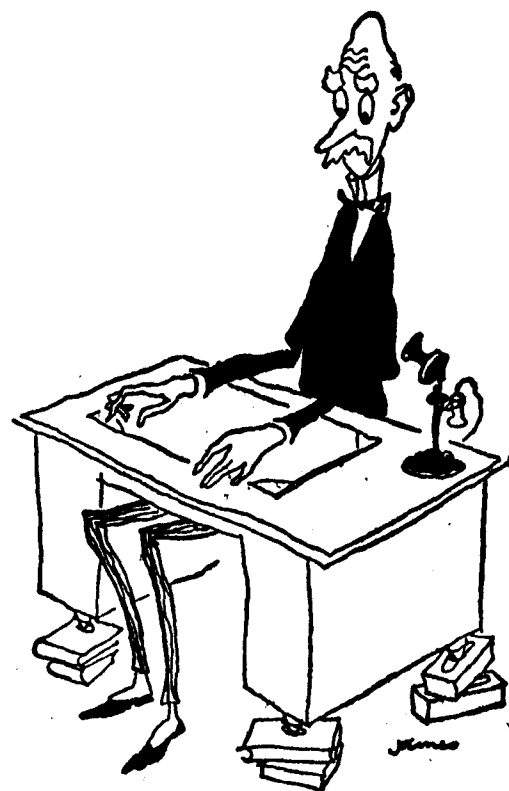


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Car Exports Slump

UP to the end of March British car exports were 23 per cent down on last year, and March was only fractionally the best month of the three. The detailed record shows just how disappointing these recent sales have been, though some allowance must be made for the effect of the November 1954 dock strike on last year's figures. Shipments to Australia were down by 10,830 or by more than a third during the quarter; this was perhaps to be expected following that country's attempts to cut imports, and it accounted for nearly the whole of the net decline in sales to Commonwealth and Eire markets, though heavy falls in sales to New Zealand (where imports have also been pruned) and Eire were offset by gains in South Africa and in Canada. But sales to the United States fell by a seventh, and the drop in the European market was as big, in numbers, as the decline in sterling markets. Proportionately it was more since sales there fell by a half. Exports to the four Scandinavian markets plummeted to a third of last year's level, and

CAR OUTPUT AND EXPORTS
(January and February)

	Output		Exports	
	1956	1955	1956	1955
Britain	140,252	140,828	52,736	70,314
Germany	139,310	101,162	60,552	51,162
France	110,347	85,277	20,606	18,551

sales in Germany and the low countries were 2,054, or 27 per cent, fewer. This is where West German competition is fiercest and most successful; but it is being met not only in Europe, and the 11 per cent increase chalked up in French car exports in the first two months (American and Italian figures are not yet available) suggests that suc-

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cessful competition may not be confined only to the Germans.

Thus overseas markets have not been giving manufacturers here the relief they would certainly have been glad of to weather the seasonal cut in home sales. New car registrations stopped rising last November, and in January they were practically the same as last year. The figures for February, when they appear, will probably show a fall. Production was, nevertheless, down by only 8 per cent for the three months. This would include a sizeable number of cars that went into stock, and output during March was in fact 19 per cent lower. There are signs, however, that the industry's markets may have done their worst. Stocks have been falling and home sales appear to have been picking up seasonally, there are reports of an improvement in some export orders, and the amount of short time working in the industry is gradually being reduced. But more swallows than this are necessary before anyone will readily predict a fine summer for the industry.

The Budget Under Fire

IN the debates on the Budget that have been running through much of the past week three declarations of principle, vague perhaps, and two points of fact have emerged. The points of fact worth putting on record both came from the Financial Secretary to the Treasury who explained last week why an increase in Schedule "A" income tax in line with the new rating valuations is for the present a non-starter. Valuations do not yet exist for property in Scotland or for farm land in England and Wales; revaluation in Northern Ireland is still in progress. Therefore to change the basis of Schedule A immediately is in his view a sheer impossibility. If the Government stood on fairly firm ground there, it gave itself a mean look when Mr Brooke showed the breakdown of the yield from the profits tax increase. The £30 million that the extra 2½ per cent on distributed profits and ½ per cent on undistributed profits is to bring in in a full year is divided in the proportion £20 million from distributed and £10 million from undistributed. A mere £10 million on undistributed profits therefore is the unworthy incentive to dis-saving by companies that the Chancellor has imposed for the doctrinaire purpose of making exactly the same additions to direct as to indirect taxation.

Those who are looking for an indication of future policy may find modest consolation in two negative declarations of policy. The Chancellor has not rejected the recommendation of the Royal Commission on Taxation that the tax on company profits should be at a single undifferentiated rate. He has not, the Financial Secretary explained, reached a decision on it. The Labour party meanwhile does not, Mr. Harold Wilson declared, oppose Millard Tucker type pensions for the self employed, though he would have liked to damp down on the generosity of some of the "top hat" schemes to employed people in the higher income groups. On one point Mr Wilson made a declaration of Labour's intentions that seems to disclose his future strategy. "What we have in fact," he said, "is a high superstructure of taxation on too narrow a tax basis."

Trade Winds in March

THE detailed returns of British overseas trade in March reveal that the further improvement in the balance of trade last month was partly fortuitous. Imports from Australia and Finland were held back by strikes, and the earlier delay in shipments from Baltic countries was not made good. Total imports came to £330.2 million c.i.f., bringing the monthly average in the first quarter to £328.5 million; this was two per cent less than the average of the first and fourth quarters of last year. With a rise in import prices of one point to 106 (1954=100) in March (which moved the terms of trade adversely by one point to 101) import prices in the first quarter were a little higher than a year ago. Hence the volume was between 1 and 2 per cent lower than in the first quarter of last year. After trying to allow for fortuitous influences, the Board of Trade thinks that imports have probably levelled off at the rate of about £335 million a month reached in the first and fourth quarters of last year. But a levelling off is not enough; a reduction is urgently needed.

Exports in March were even higher than the provisional total; they amounted to £271.3 million f.o.b., bringing the average monthly value in the first quarter to £258.4 million, 4½ per cent higher than in the same quarter of last year. As export prices have risen by 5 per cent the volume changed little. Once more, however, comparison must take account of a still earlier outbreak of strikes. The volume of shipments in the first quarter of 1955 was swollen by the over-spill from the 1954 dock strike in Britain, so the real increase in volume in the first quarter of this year was probably about 5 per cent. This suggests that the real increase of about 5 per cent in the volume of British exports during the last two years has continued in 1956. With re-exports at £13.3 million in March, the gross visible trade deficit fell by £4 million to £45.5 million.

The rise in British exports is not enough, judged not only by Britain's needs but by what Britain's competitors are doing. Preliminary figures suggest that world exports of manufactures in the last quarter of 1955 were 16 per cent higher in value than in the same quarter of 1954; for the whole year world exports were about 13 per cent higher than in 1954. British exports of manufactures rose by 10 per cent in 1955, and the British share of the world total fell again from 20½ per cent in 1954 to less than 20 per cent in 1955; Britain's prewar share was 22½ per cent. The share of the United States has also fallen since 1951, though it is still much higher than before the war. Germany and Japan have substantially increased their shares in recent years and so, to a small extent, have Belgium, France and Holland.

New Look in Trade Fairs

THE British Industries Fair, bravely singing its swan song at Olympia this week, has secured a good turn out from the chemical industry, and attracted an effective display of electrical equipment down from Birmingham. But the rest of last year's absentees—notably the textile

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industry—are still conspicuously absent from the half-filled halls. The directors of BIF Ltd., the company set up by the Government in 1954 to run the fair, still argue that, given government support, many more exhibitors could be persuaded to return next year, and even that the fair could be self-supporting by the end of 1957. But the initial Treasury guarantee of £100,000, which was intended for a five-year period, has already been overspent, and the Government has decided that public funds could be put to better use in assisting British firms to display their goods more effectively in overseas fairs. The engineering section of the BIF, run on a self-supporting basis by the Birmingham Chamber of Commerce, will be continued.

There is a natural reluctance to admit that Britain—unlike the Italians or the French or the Germans—cannot make a success of a national fair—or of an international fair, which has not been tried here. But the decision to spend most of the £100,000 a year formerly spent on publicity for the BIF on assisting British firms to participate in overseas fairs (in addition to the £60,000 now so spent) is probably the right one. The responsibility for British participation in overseas fairs has been left in the past almost entirely to private enterprise, on the grounds that only in that way can the commercial advantages of trade fairs, as opposed to other methods of export promotion, be accurately assessed. In the more advanced industrial countries, where trade fairs are usually organised on a basis of trade sections, private firms can bear the cost of participating. But in underdeveloped countries fairs are usually organised—often to give scope for their own national pride of achievement—on the basis of national pavilions. Costs are very high, and private enterprise cannot be expected to shoulder the entire financial burden of putting up an effective British performance. The appalling British display at Karachi and Addis Ababa and the ineffectual exhibits at New Delhi and other important overseas fairs last year are sufficient evidence that this policy has failed.

This the Government has now realised. But how should the money now available be spent? The Government could follow the Communist—and American—models and undertake the entire task of constructing national pavilions itself. But the Belgian and German methods, which involve a joint government and industry approach, through a guiding committee supported by government funds, appear more attractive. Since the Government would provide the money, it should have the final say on policy. Even this augmented government expenditure is small. The German government spends over twice as much, and the American government is spending 2½ million dollars a year on participating in overseas fairs. The results so far, in the view of both governments and industrialists in these countries, fully justify even greater expenditures—as do the national fairs which they also manage to run successfully.

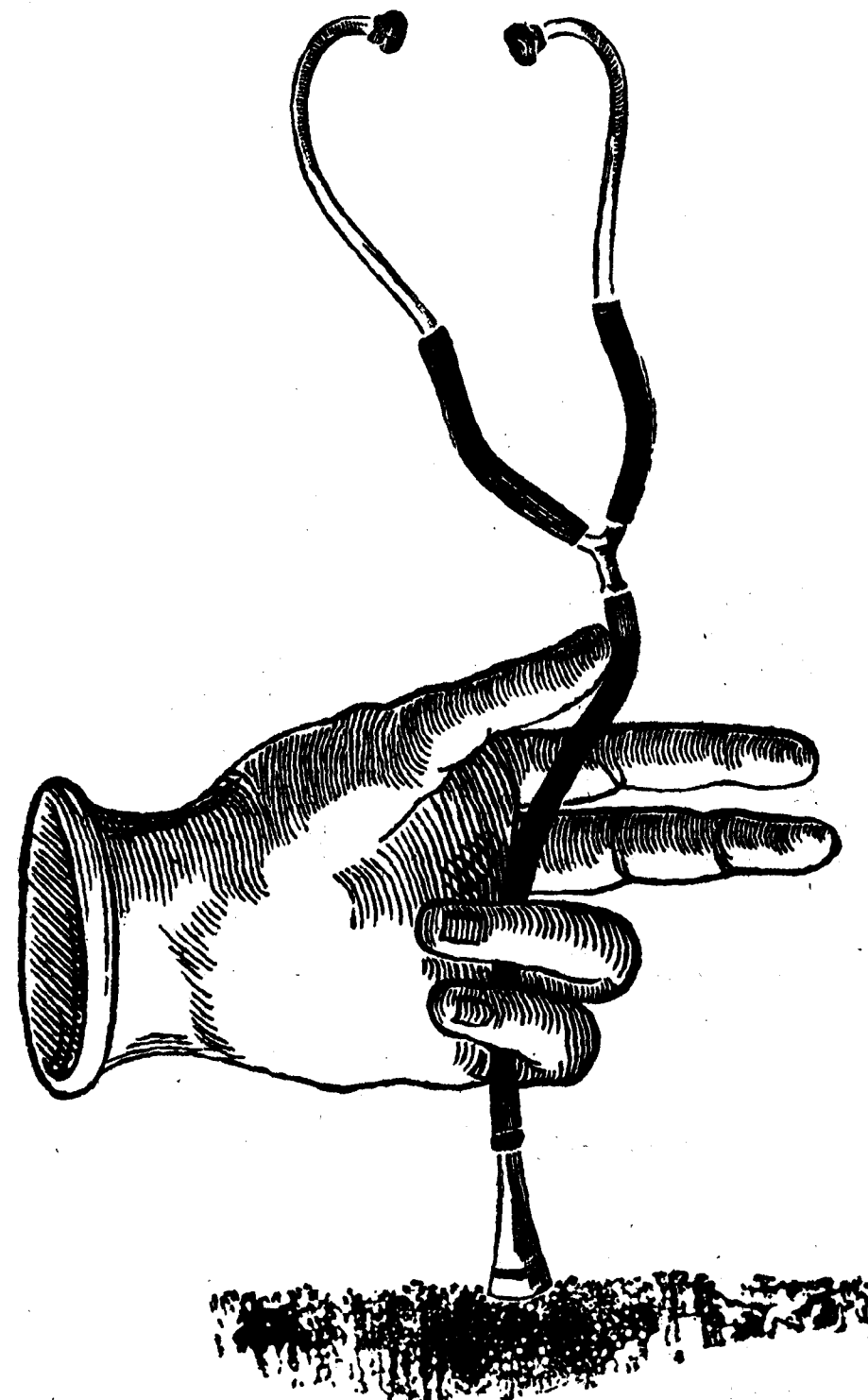
Daily Mirror Takes to ITV

IN its time the *Daily Mirror* has both supported and attacked commercial television in this country. Bitterest criticisms were made over the period when the Independent Television Authority was deciding whether

(Continued on page 410)

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40



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The New Wheat Agreement

AFTER protracted discussions in Geneva and London a new International Wheat Agreement was drawn up this week. It is of the same type as the one that expires next July. The objectives are to assure wheat supplies to importing countries and markets for exporting countries at equitable and stable prices. To this end the exporting countries undertake to sell an agreed quantity of wheat at a maximum price, and the importing countries to buy the same quantity at a minimum price, if called upon to do so. Though the objectives and form of the scheme have not changed since 1949 its significance in the world wheat trade has. The first agreement worked according to the book. In those years demand exceeded supply; the IWA price went to the maximum and the "free" price far above it; and importers obtained their guaranteed quantities at the maximum.

In the second agreement the emphasis was reversed. Supply exceeded demand; the "free" price fell below the maximum, and took the IWA price down with it. The guaranteed quantities by then covered less than half the world trade because Britain, the largest importer, refused to accept a maximum of 205 cents a bushel and did not join. As more than half the world's exports could in theory move at less than the IWA minimum it was feared that the scheme might not be able to prevent a collapse in prices. That fear proved groundless. The state marketing systems of the United States and Canada, where the bulk of the surplus was held, proved equal to the strain. No. 1 Northern Manitoba wheat did not fall to the mini-

mum, as in strict logic it should, but certain grades of American wheat and Australian wheat fell to their minima and—save in isolated cases—no further.

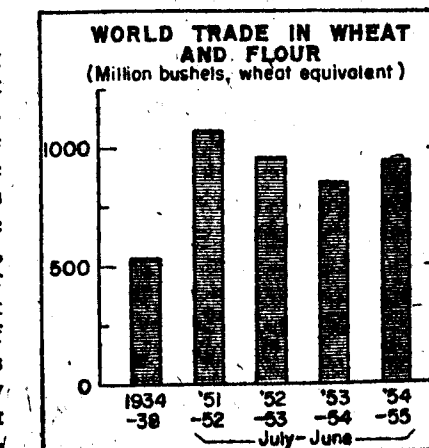
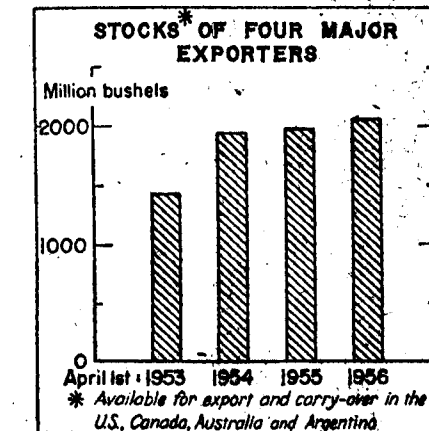
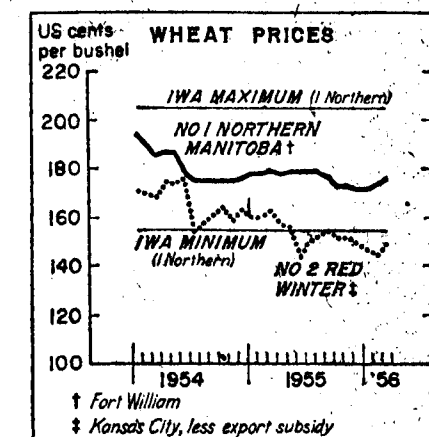
It became clear that the policy of the exporting governments rather than the agreement was the real bulwark against a collapse in wheat. But the IWA minimum served a purpose in setting a recognised floor to prices. It also became clear that the scheme fell far short of what was required of any international attempt to promote stability. Too many exporting and importing members followed domestic policies that encouraged high-cost production and aggravated the surplus of wheat. Could a new agreement be drawn up that would deal with the problem of instability and surplus at the source?

That hope was dashed last October, when the conference called to discuss a new agreement decided that only the existing type was acceptable. At the succeeding conference Britain announced that it would not take part, partly because it did not consider that the agreement made a positive contribution to the problems of over-production and the disposal of surpluses. But it hoped that when the negotiations were over the conference would agree to amend the constitution of the Wheat Council so that it could examine domestic production policies and means of regulating the disposal of surpluses. In such discussions Britain would play a full part. In the event, the other countries have a new wheat agreement, and Britain has seen its suggestions adopted.

Apart from this amendment of the constitution there are three main differences between the new agreement and the old. It is expected that the membership will include Argentina, the major exporter hitherto outside the agreement. The guaranteed quantities are reduced by 2½ to 8.2 million metric tons, and the price range is reduced by 5 cents a bushel. The drop in the guaranteed quantities to a figure equal to roughly one-third of world trade is by now of minor significance.

Now that Argentina is moving towards multilateralism it is hoped that its bilateral trade pacts, covering 2 million tons of wheat, will gradually be ended and that wheat put under the agreement. But while Argentina is moving away from bilateralism the United States is moving towards it, through its special sales of wheat under PL 480. The United States hopes next season to sell 2½ to 3 million tons of wheat in this way, and since it regards these sales as abnormal marketings they cannot be registered under the wheat agreement. But these sales are becoming more "normal" every day and they make nonsense of the wheat agreement.

How much progress will be made on the British proposals is anyone's guess. The next step is for the Wheat Council to appoint a study group on which Britain would certainly be represented. The council may collaborate in these discussions with other United Nations organisations and with non-member countries. Most countries recognise that an effort must be made to rationalise wheat production, but it will not be easy to persuade them to put principle into practice. It seems unlikely that supplies might be so reduced over the next three years that a bad harvest could lead to shortage. If that did happen, Britain might be faced with the unpalatable choice of having to pay more than the maximum for its wheat or of seeking to join the wheat agreement.



(Continued from Page 406)

applicants should receive licences to act as programme contractors on its various stations. It has never been clear whether the *Daily Mirror*, previously known as a supporter of commercial television, omitted to put its name forward deliberately or through an oversight, but the wheel has now come round and a "substantial" part of the new money that Associated Television is seeking to finance its London and Birmingham programmes will be contributed by the *Daily Mirror*.

The nominal capital of Associated Television is £1 million, and the permission of the Capital Issues Committee has been asked to double it. Of the new money, £750,000 will be new capital (largely from the *Daily Mirror*) and the existing loan stockholders are being given an option to convert one-third of their loans into the balance. The only shares with voting rights at present are 75,000 £1 ordinary, the great majority being non-voting ordinaries, and a recent examination of the records showed that a third are held by the Incorporated Television Programme Company, which was set up by Mr Littler and Mr Parnell and which once applied unsuccessfully, for a programme contractors' licence. Most of the other voting shares are held in varying amounts by a number of nominees, but the *Birmingham Gazette* holds 10,000; the *Birmingham Post*, 5,000; and Associated Electrical Industries, another 5,000. The *Daily Mirror* does not appear to be receiving any voting shares, as none of the new capital carries voting rights, but it does get two nominees to the board of the company.

This is generally regarded as a shrewd investment by the *Daily Mirror*. Associated Television needs better studio facilities than it now possesses and is not finding it easy to induce advertisers to buy time on its Birmingham week-day programmes, but this does not alter the general conviction that commercial television is both growing and consolidating. Had the *Daily Mirror* put off a decision much longer, it might have had to pay a far higher price for participation; to come in earlier would have meant sharing the risks and losses of the opening months. The fox has reached the grapes.

Mr Kurchatov at Harwell

THE Russian scientist, Mr Kurchatov, a member of the Praesidium who is in this country with the Soviet mission, gave a lecture on Wednesday to scientists of the Atomic Energy Authority that was remarkable both for its frankness and spontaneity and its considerable scientific quality. He talked about two subjects, the Russian atomic power programme, and the spectacular progress made, mainly under his direction, in developing a method of controlling thermo-nuclear reactions. This is the first step towards using the force released by a hydrogen bomb as the basis for power production. It involves reaching temperatures equivalent to those in the sun before the fusion reaction can be triggered off. In a bomb, these temperatures are obtained by putting a small atom bomb in the core. The Russians have come very close to achieving them in controlled laboratory conditions by bombarding heavy hydrogen with an electric current. In the short period before the container disintegrated under the effects

of heat, they managed to work up to temperatures of 1 million degrees Centigrade, which is at the threshold of those needed to bring about fusion in the hydrogen atoms. This is an immense technical achievement, and Mr Kurchatov's lecture was so carefully documented and illustrated as to leave little doubt about the accuracy of the claims. At the same time, it is easy to exaggerate the results of the experiments and to assume for them a degree of success that the Russians themselves have not claimed. This is not controlled hydrogen fusion, but an experiment that goes a long way on the road towards it.

The lecture was of a much higher scientific standard than those delivered by Russian scientists during the atomic energy conference at Geneva last summer, which were impressive chiefly because they demonstrated the close parallel between the degree of success achieved in Russia, shut off from any but illicit contact with scientists in the West, and Britain and the United States. In describing the Russian atomic power programme, Mr Kurchatov was on ground that he knew less well. He said that during 1956-60, Russia intended to build five experimental power stations of various types, two giving 70,000 kW of electricity each, and the others, 200,000 kW. Four smaller pilot plants will also be built to test more elaborate designs and these will provide data for developments in the decade starting in 1960. It will be interesting to see if this lecture, and the free and spontaneous answers that Mr Kurchatov gave to questioners, goads either British or American scientists into revealing how far they themselves have progressed in the control of the fusion reaction. Some intensive work is being done both here and in America, but no general survey of British—or for that matter American—work has yet been released.

A New Thames Tunnel

THE idea of a tunnel under the Thames east of London to provide a direct link between Kent and Essex was first seriously suggested over 150 years ago; the plans were abandoned after one bore hole had used up all the capital. There was another try before the last war, on a new site between Dartford and Purfleet some five miles west of the previous Gravesend-Tilbury line; this attempt was postponed, first by the financial crisis in 1931, and then by the war after a pilot tunnel had been successfully completed. But last year the project was revived with renewed official blessing from the Ministry of Transport, as part of its expanded road programme and the main contract was awarded last week. When the tunnel is finished in about five years time—provided progress is not again delayed—it will be the third such tunnel to have been built in Britain this century and the first since the Mersey tunnel was opened in 1934.

It will cost altogether about £10½ million; the Ministry of Transport and the Essex and Kent county councils are contributing just over £3 million between them, and the remaining £7½ million will come from the Ministry's road construction funds—to be recouped from tolls paid by the two million vehicles that are expected to use it each year. When finished, the tunnel—which will be almost a mile long—and its approach roads will form a new four-mile direct link between the main A.2 and A.13 trunk roads;

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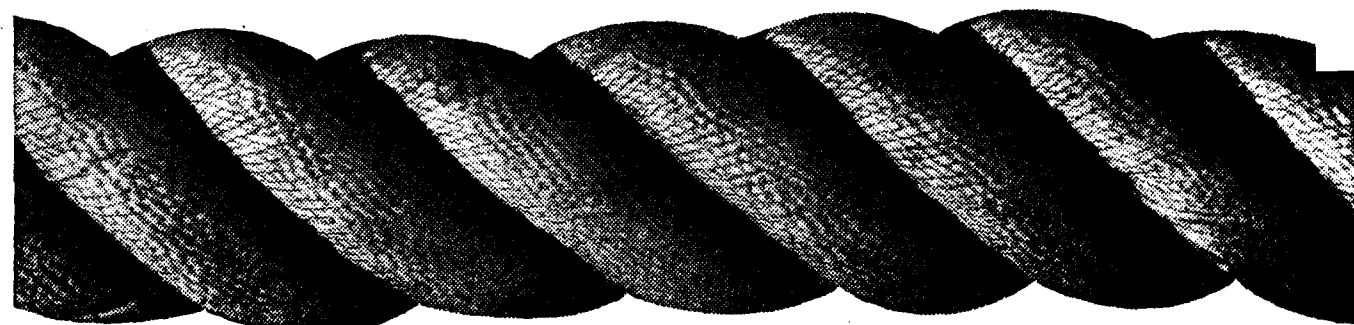
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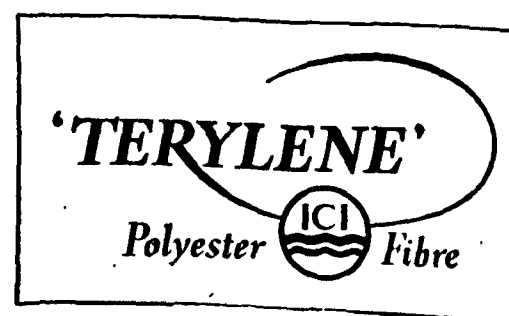
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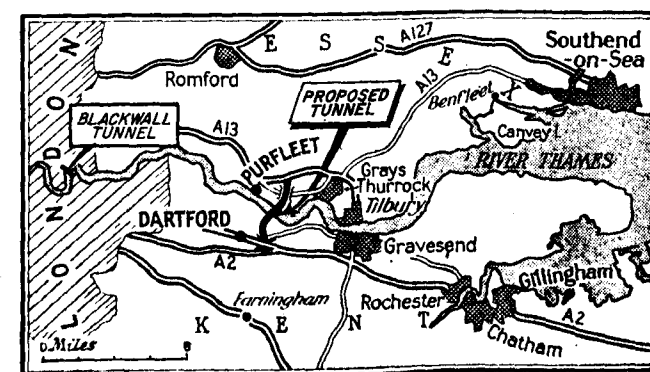
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it will also be the first completed section of the north and south orbital roads that are "planned" to circle 15 miles outside central London. Parliamentary sanction has yet to be sought for the last half-mile north of the river, which involves carrying the approach road on a viaduct over A.126.

To excavate the tunnel, which will be following the line of the pilot tunnel built in 1938, the contractors will use



massive shield excavators, each weighing nearly 300 tons, similar to those used to build London's underground railways. The outer edge of the cylinder-shaped shield cuts, and the whole contraption is moved forward bodily by powerful hydraulic rams when the next stint of tunnel face has been dug out to the required depth. The shield gives protection for the erection of the tunnel's cast iron lining and for the injection of liquid cement under pressure to grout this lining to the surrounding earth. Since this surrounding material is alluvial or water-bearing chalk, all cutting and lining operations will be done in compressed air.

rates 70 per cent or more above level at the beginning of the month and a good deal of business is being done.

The exact cause of this formidable and unusual increase is not easy to pin down. Certainly more oil has been imported so far this year than twelve months ago. There has also lately been a trough in the pace of new tanker deliveries—but no more than was expected. But the high rates currently being paid for grain shipments have been attracting a significant number of tankers for use, after cleaning, in that trade; and the conversion of older tankers into bulk carriers of ore and coal has also continued. A combination of these factors would result in a tighter supply of tankers for the work available and suggests, moreover, that tanker freight rates should remain for some time to come rather higher than last year—when they were again somewhat above 1954 rates.

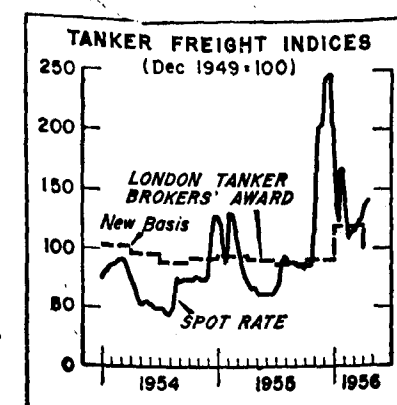
A growing number of tankers have been fixed on period charters—mainly for several voyages in succession but some for longer fixed periods—at rates not markedly below the current spot market level. The oil shippers, most of whom are in the market, are holding out for rates between Scale rate plus 30 per cent as a minimum and Scale plus 100 per cent as the maximum for periods of up to 12 months (Scale rate is equivalent to 32s. 6d. a ton from Curaçao to London) whereas owners are asking for rates between Scale plus 40/50 per cent and Scale plus 150 per cent. Tanker owners are pointing out that this minimum rate is roughly equivalent to the return they can now get, after cleaning costs, for similar contracts in the grain trade.

The Rise in Stocks

Full Employment for Tankers

THE tanker freight market has produced a number of minor surprises lately: the latest and by far the biggest is the most unseasonal rise in freights that began about two months ago and as yet shows little sign of stopping. Normally the rates at which tankers are chartered start to fall from about the end of February, in company with the

seasonal decline in oil movements to Europe and North America. But this year tanker freights have been moving in the opposite direction; they have climbed upwards by more than a quarter since the middle of February. Although little business has been completed this week on the London market as

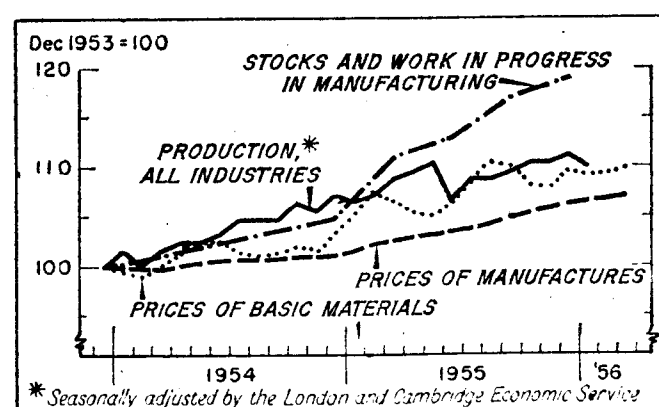


owners are holding off for even higher prices and charterers are waiting in the hope that the end of the month may bring a fall, the American coastwise market has been very busy with spot

IN the last quarter of 1955 the value of stocks and work in progress held by manufacturing companies reporting to the Board of Trade rose by two per cent. That was the smallest quarterly increase of the year, and it brought the total increase in 1955 to 13 per cent, stocks being valued at the lower of cost or market value. A large part of the increase occurred among companies in the metal manufacturing and metal using trades, where production rose most sharply last year. The value of stocks of materials and fuel, work in progress, and finished goods all rose in about the same proportion in 1955. The companies account for about one-third of the total value of stocks and work in progress in manufacturing. As they are all large firms the results are not necessarily representative of manufacturing as a whole, still less so of the whole economy, where the value of stocks is roughly twice as high as in manufacturing.

But as far as they go the figures support the Economic Survey's view that manufacturing claimed the largest share of the increase in stocks and work in progress in the whole economy last year. The Survey estimated that total stocks in the economy went up in value by £600 million last year: the value of the physical increase in stocks, however, contributed only £350 million of this. At the end of 1954 stocks in manufacturing amounted to about £3,600 million. If indeed the increase was 13 per cent last year that would imply a rise of £470 million—nearly five-sixths of the increase in the whole economy. Against that 13 per cent increase in manufacturing stocks must be set the rise of

6 per cent in prices of basic materials and of 5 per cent in manufactured products last year; and output in manufacturing rose by 4½ per cent. This confirms earlier indica-



tions that stocks rose proportionately more than the rise in production. Whether or not the rise in stocks was excessive in relation to the needs of production, it was certainly excessive in relation to what Britain could afford.

The Pru' and the Pearl

LIKE other life insurance companies the two giants, the Prudential and the Pearl produced excellent results for 1955. Shareholders and policyholders have already learned something to their advantage. The ordinary investor will study the accounts of the monster investors with another interest. What is their investment policy? The attitude of the Prudential with its total assets of £817.4 million, and of the Pearl with £235.2 million, must have a bearing on the future of markets. The table of portfolio distributions suggests that when the "bull" market turned into a "bear"

	PRUDENTIAL			PEARL		
	1954 %	1955 %	Change £ mil.	1954 %	1955 %	Change £ mil.
Mortgages, inc. policy loans...	5.6	6.7	+12.1	2.8	3.0	+0.7
Brit. Govt. and Govt. guaranteed securities.	39.8	35.3	-18.1	39.1	37.2	-0.4
Brit. municipal & County & overseas Govt. and municipal sec..	5.8	5.5	+0.5	11.2	10.1	-1.4
Debenture stocks	14.8	16.3	+19.2	14.0	15.2	+4.1
Preference shares	7.0	7.3	+5.6	7.2	7.2	+0.7
Ordinary shares.	14.2	15.4	+16.2	17.2	18.1	+4.0
Other invest'ts.	0.2	0.3	+0.6	0.1	0.1	+0.2
Property.....	9.9	10.3	+6.7	5.2	5.4	+1.1
Cash, agents' balances, etc.....	2.7	2.9	+3.1	3.2	3.7	+1.5
Total %.....	100.0	100.0	...	100.0	100.0	...
Total £ million..	771.5	817.4	+45.9	224.7	235.2	+10.5

market last year the giants did indeed carry out a change in policy, though it may have been a change that waited only

for the opportunity. They both moved in the same direction and the switching that they did out of gilt-edged into debenture stocks and ordinary shares would have produced a marked effect on prices if they had not used one of the occasions when sellers dominated the market.

Each company has substantially reduced its gilt-edged holdings. The Prudential shows a reduction of £18.1 million, the Pearl of only £400,000, but that company also reduced its holdings of municipal and foreign government securities while the Prudential slightly increased its investment in that category. Not all the reduction in gilt-edged holdings represents sales; perhaps it is a fair guess that about half the Prudential's £18.1 million reduction represents writing down. Nevertheless all the new money—£45.9 million increase in total assets in the Prudential and £10.5 million in the Pearl—went into investments other than gilt-edged. Each company increased substantially its holding of ordinary shares and each increased its holding of debenture stocks. It must have been helped by the fact that there were substantial issues of ordinary shares and debenture stocks in the autumn when credit was scarce and when issuing houses were delighted to be able to get underwriting done. For investors of the size of the Prudential it is only possible to obtain industrial debentures in quantity as an underwriter or as an original applicant. The Prudential (but not the Pearl) has also put a substantial sum into mortgages and loans on the public rates; evidently it has played a part in the recent and more arduous financing problem of the local authorities. Both companies have put money—the Prudential £6.7 million, and the Pearl £1.1 million, into real property. Insurance companies invest in property with great discretion, but to some extent it must have been possible for the owners of businesses to raise finance by selling freeholds when other sources of finance were difficult. Despite the investment switching programme both companies have kept rather more than usual of their powder dry. Liquid assets are up in both companies.

Bigger Profits from Gallaher

GALLAHER, the most successful of the smaller tobacco manufacturers, will pay a final dividend of 20 per cent for 1955, as was promised by the directors two months ago when the rights issue of ordinary shares and the Loan stock issue were announced. Together with the interim dividend this makes the year's dividend 25 per cent, compared with 22½ per cent for 1954. At the time of the rights issue the directors estimated gross profits in 1955 at not less than £3,850,000. This is an under-estimate. In fact, gross profits came to £4,033,217, compared with £2,510,841 in 1954. The tax provision was much higher, rising from £1,408,209 to £2,085,196, but the group's net profit jumped from £1,102,632 to £1,948,021, from which the net ordinary dividends absorb £767,266. The rights issue was made before the increase in the duty on tobacco and at that time the directors were so confident of future expansion that they were willing to predict that the dividend on the ordinary capital, as doubled by the rights issue, would be 17½ per cent for 1956.

ADVERTISING AND MARKETING IN BELGIUM

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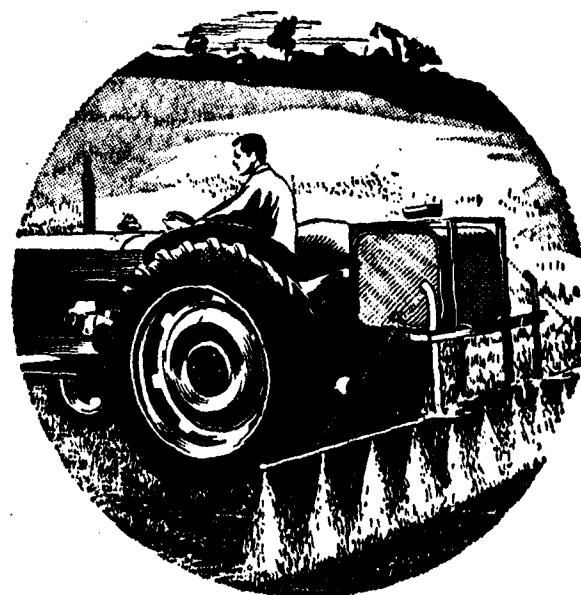
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Edible Oils Dearer

THE late winter frosts in the Italian olive groves have affected more fortunes than those of the unlucky farmers. A substantial proportion of the young trees in Italy and southern France are thought to have suffered, and because olive oil output last year was low there are no carry-over stocks to help these countries through the coming season. Unless reports of damage are much exaggerated, the Mediterranean countries will have to import up to half a million tons of edible oils to make good their losses. That is why prices of all liquid edible oils have risen sharply, particularly cotton oil and groundnut oil. In the space of three months these two oils have risen by over 30 per cent to about £150 a ton cif Continent. The Indian government, anxious to keep down domestic prices, made matters worse by banning exports of groundnut oil. In contrast to previous years, American sales of surplus oils have in no way depressed the market; large quantities have been sold to Italy, Spain and South America under Public Law 480, which authorises sales of surplus farm products for local currencies.

Oils from the coconut and palm have only recently shared in the prosperity of liquid oils. The "hard" oils group cannot be substituted for all the uses of soft oils and were therefore less directly affected by the shortage of olive and groundnut oil. But in the middle of this month prices suddenly started rising in sympathy, with Ceylon coconut oil rising by about 10 per cent to a little over £100 a ton. The margin between the two groups is still considerable, however.

Building Society Growth

THE building societies showed a substantial growth in their total assets and in the new funds lent on mortgage last year notwithstanding the credit squeeze which led to some withdrawals by investors in the summer months of last year and which have slowed down mortgage lending ever since then. The Chief Registrar of Friendly Societies reports* total assets of £2,064 million, an increase of £196 million, so that the growth of assets in 1955 was 10.5 per cent compared with 14 per cent in 1954, and that notwithstanding that withdrawals of capital by investors at £285 million were the highest ever experienced by the building societies. New advances on mortgage were £393 million—also a record compared with £373 million in 1954. For the first time for many years the number of building societies on the Register shows an increase. It was 783 at the end of last year compared with 777 at the end of 1954. The Registrar naturally does not give the number of members of the Building Societies Association which is, however, understood to be around 360 and declining slightly owing to the strict enforcement of the 7½ per cent liquidity rule by that body.

* Report of the Chief Registrar, Friendly Societies for the year 1955. HM Stationery Office, 2s. 6d.

Colonial Development Progress

A NEW broom usually sweeps clean, when it is a ruthless broom and when it is given time. Lord Reith succeeded Lord Trefgarne as chairman of the Colonial Development Corporation in 1950 and Mr H. N. Hume (chairman of a London issuing house) took over from Mr Robin Brooke as deputy in 1953. For the year ended 1955 the Colonial Development Corporation shows its first profit—£409,000, compared with a loss of £511,000. The 1955 figure is struck after providing for all outgoings, including £307,000 on interest payable to the Colonial Office on short, medium, and long term loans. The Colonial Development Corporation, which should never be confused with the Colonial Finance and Development Corporation (financed by private enterprise) is a Government controlled body that fosters colonial development projects with Colonial Office money in co-operation, when occasion offers, with private industry.

But the new broom has more sweeping still to do. The report for the year to December 31st makes it clear that costly investigations which do not show reasonable expectation of return will not be possible. The Corporation has struggled out of the red, but must go on raising its net revenue each year to stay there. One of the problems arises from the fact that long term borrowings from the Colonial Office have been subject to an initial seven-year interest moratorium. From now on the service of existing borrowings from the Colonial Office will build up steeply to over £1 million in 1960 and nearly £2 million in 1964. So higher earnings will be needed to cover them.

SHORTER NOTES

Competition in the bakery trade is likely to become still keener when the subsidy on "national" flour is withdrawn. Price control will go too. National-type bread, which now accounts for about 90 per cent of all sales, will then probably cost about 10d. for a 1½ lb loaf compared with about 1s. for other kinds. But prices might draw still closer together as bakers attempt to win custom for their individual types. A larger variety of products may lessen the competitive advantages of the big multiple bakers, and the small "craft" bakers have claimed that they will gain by being able to serve local tastes.

In *The Economist's* Budget analysis last week the withdrawal of the investment allowance was attributed to Mr Butler. It was however done by Mr Macmillan in February of this year. The formula for calculating profits tax on a full distribution was also printed incorrectly. It should have been, where x is the net dividend, as follows:—

$$x + \left(\frac{40}{23}x \times \frac{27}{100} \right) = 54.5$$

And hence $x = 37.08$ of every 100 of gross profits.

The International Sugar Council's estimate of the requirements of the free market in 1956 has been raised by 250,000 to 4,770,000 metric tons. The council may meet in New York during or after the International Sugar Conference that opens there on May 21st.

Company Notes

CUNARD STEAM-SHIP.

"By the Companies (Shipping Companies Exemption) Order, 1948, the company is exempt from disclosing certain information relating to reserves and provisions and changes therein and certain details of fixed assets and the depreciation thereof, and these accounts have been prepared accordingly." This note to the full accounts of Cunard for the year to December 31st explains why less can be learned from the balance sheet than can, say, from the balance sheet of P & O in its new form, though there is no evidence that Cunard created any new inner reserves in 1955. The "operating surplus" rose from £6,747,584 to £7,405,872. "Cargo freight services in the Atlantic, Australian, New Zealand and Eastern trades together with the cruise earnings

	Years to Dec. 31, 1954	1955
Consolidated earnings:—		
Operating surplus, etc.	6,747,584	7,405,872
Investment income...	498,932	535,990
Depreciation.....	2,892,001	3,446,293
Taxation.....	2,176,598	2,647,676
Net surplus.....	2,157,266	2,504,070
Ordinary dividends..	714,955	747,500
Cons. balance sheet:—		
Ships, less depreciation.....	35,359,324	40,052,819
Total net fixed assets.	39,241,069	43,880,381
Debtors, etc.....	4,280,187	5,175,060
Quoted investments..	18,523,171	18,579,706
Cash and TRCs.....	13,307,648	10,934,207
Creditors, etc.....	26,543,646	28,227,946
Reserves.....	32,892,950	34,600,193
Ordinary capital.....	12,999,980	12,999,980

£1 ordinary stock at 25s. 6d. yields 7 1/2 per cent.

have in the main provided this increase." Higher freight rates in the latter months of the year played their part, and while Cunard lost passengers during the strikes on the Queens the total volume of Atlantic traffic was larger and by the end of the year Cunard had carried "virtually its normal annual number of passengers."

But both depreciation and taxation were higher and the net surplus fell from £2,157,266 to £1,827,969. The ordinary dividend was left unchanged at 10 per cent. One reason for this decision is perhaps revealed in Mr D. H. Bates's comment that "the costs of running and working ships are still rising and such essential items as fuel and diesel oil, for instance, show considerable advances, and it will be very difficult to increase revenue to cover the additional expenditure."

Another reason for conservative dividends is the directors' perpetual concern with the replacement of the fleet of ships. In a note to the consolidated balance sheet outstanding liabilities for new ships are estimated at £14,450,000. "That is a formidable programme," says Mr D. H. Bates, "but it will only carry us to, say, 1958." Investment allowances on new ships help the shipping companies but, Mr Bates points out, that if Cunard were registered under a "flag of advantage" instead of under the Red Ensign its profits over the six years 1949-54 would have been increased by about £14 million by savings in taxation. Companies registered

under such flags thus possess a competitive advantage.

Like P & O, Cunard is strong in liquid resources, but, again like P & O, these assets have to be balanced against replacement commitments. In the Cunard balance sheet the book value of quoted investments is over £18½ million. This is above their market value, "but being all in dated Government securities with the redemption dates spread to suit the company's likely requirements it is not anticipated they will have to be realised before the date of redemption and no allowance has therefore been made for the depreciation in current market value."

UNITED MOLASSES. The directors of United Molasses are not repeating the tax-free cash distribution of 4 per cent from capital reserves made in the 1954 accounts. But they have recommended an increase in the ordinary dividend. It has been put up from 12½ per cent, tax free, to 16½ per cent, tax free; this is equivalent to an increase from 22.1 to 28.99 per cent gross. On this dividend the 10s. stock yields 6½ per cent at 41s. 10½d. The only unsatisfactory aspect of the preliminary statement is that £763,798 has been provided from reserves against the fall in the market value of British Government securities.

	Years to Dec. 31, 1954	1955
Consolidated earnings:—		
Gross profit.....	4,322,696	5,170,654
Depreciation.....	1,084,828	1,179,088
Taxation.....	1,914,522	2,096,211
Net profit.....	1,319,427	1,891,728
Ordinary dividends..	732,938	977,250

The group's trading profit has risen from £4,322,696 to £5,170,654, thus recovering part of the sharp fall suffered in 1954 because of lower freight rates. Happily the forecast of a further fall in 1955, which the chairman, Mr G. W. Scott, made a year ago has proved over-pessimistic. The rise in freight rates last year doubtless helped—even though much of United Molasses's fleet works on time charter. And the demand for molasses has been high.

BOWATER PAPER. Growth stock is a hackneyed phrase, but to no stock has it been applied with greater exactness in recent years than to the £1 units of the Bowater Paper Corporation. Outward signs of the company's standing include the interest taken by American investors in the stock and the low yield it offers. Currently the yield at a price of 58s. 9d. is only 3.8 per cent. The reason for the favour accorded to the stock is not mainly the company's profit record, nor in its progressive dividend record, nor even its massive and growing interests in newsprint and other types of paper in this

country. The reason lies mainly in the group's large and growing investment in the North American newsprint industry. And here it is not the established mills in Newfoundland, but the recently opened mills in Tennessee that provide the lure.

By far the greater part of the Corporation's earnings are derived from its interests overseas. And the fact that the gross profit of £13,209,637 earned in 1955 was actually more than the £13,095,463 earned in the previous fifteen months was due in particular to the first full year's operation of the mills of Bowaters Southern Paper Corporation in Tennessee. It was for this reason, too, that the 1955 profits of the Bowater Corporation of America, at \$22,579,253, were so much higher than the figure of \$17,043,035 earned in the previous fifteen months. There should be bigger profits still to come out of the Tennessee mills. Bowaters Southern is producing at an annual rate of about 200,000 tons of newsprint and 75,000 tons of pulp and capacity is to be raised to about 300,000 tons of newsprint and 45,000 tons of pulp a year. This newsprint has already been sold forward under long-term contracts extending to the end of 1968. Presumably it is the expansion of these mills which will absorb most of the \$17½ million—about £6½ million—to be raised by a public issue in Canada of 350,000 5 per cent \$50 preferred shares at par of the Bowater Corporation of North America. The yearly capacity of the Cornerbrook mills, in Newfoundland, is also to be raised, from about 310,000 tons to 340,000 tons of newsprint.

On the present capital of £19,200,000 the 1955 dividends are equivalent to 11½ per cent and compare with an equivalent annual rate of 9 per cent paid in the preceding accounting period. The directors of Bowater Paper have always cultivated good relationships with stockholders and there is no better way than through dividend payments.

SPILLERS. For the fourth successive year the directors of Spillers, the millers and manufacturers of animal foods, have raised the ordinary dividend. That is in keeping with the steady advance in profits from one record level to another. In the year to January 31st, the trading profits of the group rose from £4,414,532 to £4,977,000, and despite bigger charges for depreciation and replacement (up from £1,025,000 to £1,230,000) and taxation (up from £1,926,000 to £2,143,000) the net surplus rose from £1,488,898 to £1,616,000. Terminal payments from the Ministry of Food upon the cessation of control, which after tax amount to £418,000, are not included in these profit figures and have been separately credited to reserves. The ordinary dividend has been raised from 11 to 12 per cent; this was followed by a rise in the price of the £1 stock units from 41s. 6d. to 43s. 6d., to set the yield of 5½ per cent.

The latest trading year of Spillers was completely free from the Government's control and this may have resulted, as it did with Ranks, in a rise in stocks. Like

Ranks, also, Spillers in protection of its markets extended its interests in bakeries last year; this must have cost money and the full benefits from these acquisitions may still lie in the future.

CAMMELL LAIRD AND HARLAND AND WOLFF.

Shipbuilding profits move erratically from one year to another because of the uneven incidence of contract completions. Costs are now rising and no firm conclusions about the future can be drawn from the preliminary reports of Cammell Laird and Harland and Wolff for the year to December 31st. The gross profits of Cammell Laird have risen only slightly, from £1,017,386 to £1,097,006, while the gross profits of Harland and Wolff have fallen from £2,157,652 to £1,799,627. Cammell Laird's net profits have gone up from £654,716 to £724,403. But Harland and Wolff's net earnings have fallen from £1,104,762 to £910,859, and this figure includes £200,581 (against £33,536) of profits arising from the settlements of contracts completed in earlier years.

Both companies have been content to leave their ordinary dividends unchanged. Cammell Laird's total dividend is again 14 per cent and Harland and Wolff's is again 10 per cent, though the directors have consolidated the special bonus of 3 per cent paid in 1953 and 1954 into the ordinary dividend. At the current price of 26s. 6d. Harland and Wolff's £1 stock units yield 7½ per cent and at a price of 10s. 9d. the 5s. stock units of Cammell Laird yield 6½ per cent.

PRESSED STEEL. The bulk of Pressed Steel's output goes to the motor vehicle manufacturers, many of which draw up their accounts at the end of July and August. Pressed Steel's accounting year ends on December 31st. It was in the last few months of 1955 that profit margins in the motor industry were narrowing, partly as a result of the expensive imports of sheet steel from abroad. This is perhaps reason enough to account for the contrast between the increases in

profits shown in the latest accounts of the motor companies and the decline in Pressed Steel's profit before tax from £3,115,485 to £2,582,064. Pressed Steel also makes refrigerators, and this side of the business came, no doubt, under the shadow of the credit squeeze and the hire purchase restrictions. One part of the business which may have come out of the year unscathed is the manufacture of rolling stock for railways.

The portents look ominous enough from a reading of the 1955 figures. But they are made even blacker by the directors' additional comment that "profits for the three months of the current year are lower than those for the corresponding period of 1955." As promised at the time of the rights issue, the final dividend is 15 per cent, making 22½ per cent for the year, but investors are entitled to feel cautious until they see the effect of the credit squeeze on the motor industry. The ordinary dividend is covered about two and a half times by earnings and at the current price of 15s. 6d. the 5s. stock units yield 7½ per cent.

BRITISH ROPES. Since 1952 the consolidated trading surplus of British Ropes has been rising steadily. In 1955 it advanced from £1,904,693 to £2,321,146, not far short of the record profit achieved in 1951. Making all types of steel and fibre ropes, the company serves almost every industry, and though, like most other engineering concerns, it must be feeling the pressure of rising costs, it can hardly fail to do well when its customers are fully employed and investing more heavily in capital equipment.

Last year's trading results, culminating in an increase in net profits from £767,295 to £942,456, are one reason for sober confidence. And the directors cannot be unduly pessimistic about the future, for they have more than carried out their promise of December, when a one for ten rights issue was made, that the final dividend would not be "less than 11 per cent." On the increased capital they have, in fact, recommended a final dividend of 12 per cent, making 16 per cent in all.

LONDON STOCK EXCHANGE

Next Account begins: May 2nd

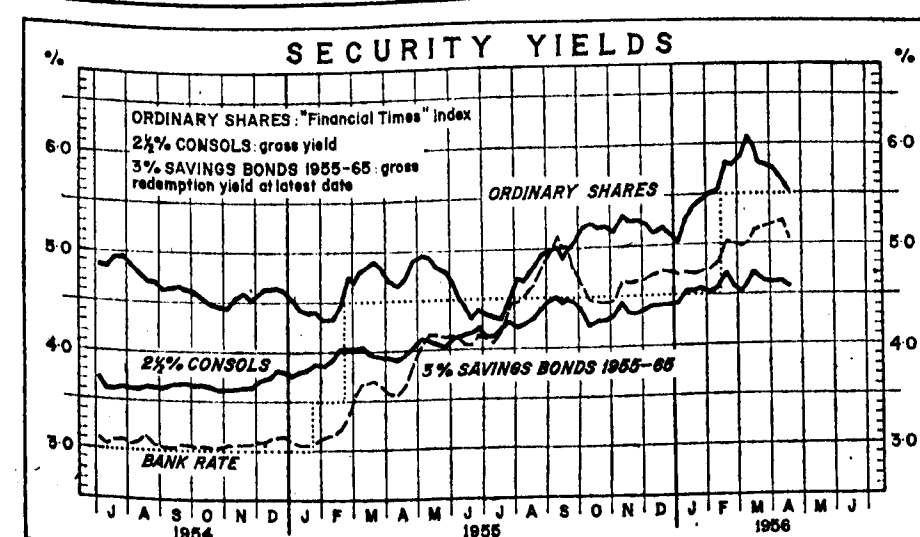
Next Contango Day: May 2nd

Next Settlement Day: May 8th

Gilt-edged securities continued to improve until the announcement of the new issue of 3½ per cent Treasury Stock 1979/81 on Friday. Prices fell until after the closing of the lists on Wednesday when small gains were made, the existing 3½ per cent Treasury Stock 1979/81 rising ¼ to 81½, compared with the issue price of 80 for the new. Industrial stocks improved until settlement day on Tuesday, but then weakened. The *Financial Times* index of industrial shares declined from 195.3 on Monday to 191.7 on Wednesday.

Bank shares show small advances on the week; Lloyds "A" rose 1s. to 55s. 6d. and Westminster "B" 6d. to 73s. Insurance stocks lost some of their recent gains; Legal and General fell ½ to 25½, while Pearl fell 1½ to 22½. Brewery shares were much firmer, Whitbread "A" rising 3s. 9d. to 75s. and Guinness 9d. to 41s. 9d. Distillers gained 7½d. to 24s. Steel and engineering stocks declined after rising steadily until Monday. Dorman Long weakened to 33s. 3d. after touching 34s. 3d. Swan Hunter fell back to 56s. 6d. and Vickers were unchanged over the week at 42s. 6d. Motors were further depressed by the fall in output and exports last month. Ford fell 10½d. to 34s. 7½d. on Wednesday and Rootes 3d. to 5s. 6d. The drop in profits of the *Daily Mirror* group caused a fall in the "A" ordinary to 16s. 6d. 6d.

Oils continued to advance strongly on Monday; British Petroleum rose to 140s. 6d. and Burmah to 87s. 9d. They bounded back, however, on Tuesday and Wednesday to 131s. 6d. and 81s. 6d. respectively. Shell Transport were firm on Wednesday at 7½d. 10d., but Royal Dutch lost 1 to 7½d. Kaffirs were much improved at the close of last week, and considerable gains were made on Monday, Free State Geduld rising ½ to 4½ and Western Holdings ½ to 2½. These rises were not maintained, and by Wednesday they had receded to 4½ and 3½ respectively. Teas and rubbers remained quiet throughout the week.



FINANCIAL TIMES INDICES

	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
1956				
April 19...	193.4	96.89	4.57	5.44
" 20...	194.5	96.87	4.58	5.40
" 23...	195.3	96.78	4.59	5.38
" 24...	193.6	96.63	4.60	5.45
" 25...	191.7	96.68	4.60	5.50
1956, High.	203.5	99.37	Total bargains 1956	
" Low.	169.7	94.75		
(Jan. 3)	(Jan. 3)	(Jan. 3)	April 19	11,417
(Mar. 8)	(Feb. 17)	" 20	" 23	11,408
1955, High.	223.9	115.97	" 24	14,006
" Low.	175.7	98.23	" 25	11,053
(July 21)	(Jan. 7)	" 25	" 25	9,556
(Mar. 15)	(Sept. 2)			

* July 1, 1935=100. † 1928=100.

Statistics

BRITISH		OVERSEAS	
Prices and Wages.....	April 7th	Western Europe :	
Production and Consumption	April 7th	Production and Trade.....	April 7th
Manpower.....	April 21st	British Commonwealth	April 7th
External Trade.....	This week	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	April 21st
Industrial Profits	April 14th	United States	This week
	World Trade.....		April 14th

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

Imports are valued C.I.F.; exports F.O.B. Total trade is valued F.O.B.											
	Unit	Monthly averages			1955				1956		
		1953	1954	1955	Jan.	Feb.	Mar.	Dec.	Jan.	Feb.	Mar.
VALUE											
Imports :											
Total	£ million	278.6	281.2	324.1	332.3	309.5	365.5	335.9	346.3	309.1	330.2
Food, drink and tobacco	"	109.6	110.5	120.1	135.9	125.4	143.2	123.9	126.7	116.5	126.2
Basic materials	"	87.9	85.4	93.8	94.0	83.9	103.7	94.2	99.6	83.6	82.9
Mineral fuels and lubricants	"	26.1	27.4	34.1	30.7	29.4	35.7	36.6	36.1	34.2	37.2
Manufactures	"	53.6	56.6	74.8	70.3	69.6	81.0	79.7	81.7	73.9	83.0
Exports of UK produce :											
Total	"	215.2	222.9	242.1	248.6	232.8	260.3	253.7	257.9	246.1	271.3
Manufactures	"	174.9	181.0	198.9	203.9	191.0	214.1	206.0	212.2	202.6	224.5
Re-exports	"	8.8	8.4	9.9	10.3	9.0	12.6	10.7	14.2	13.5	13.3
Balance of trade (exports less imports)	"	- 54.6	- 49.9	- 72.1	- 73.4	- 67.7	- 92.6	- 71.5	- 74.2	- 49.5	- 45.6
VOLUME											
Imports	1954=100	99	100	112	...	114*	...	111	119	106	...
Exports	"	96	100	107	...	111*	...	111	112	107	...
BY AREA											
Imports :											
Dollar area—total	£ million	52.9	51.6	70.2	66.1	62.6	80.1	73.1	69.9	69.8	62.6
" USA	"	21.1	23.5	35.1	36.5	32.7	39.9	37.0	37.8	34.0	28.9
" Canada	"	25.5	22.7	28.6	25.8	24.7	32.9	29.3	25.4	28.3	25.0
Non-sterling OEEC countries	"	64.0	68.1	79.4	78.4	71.7	79.5	81.1	90.1	74.3	83.0
Sterling area	"	125.3	124.8	131.1	148.3	132.3	160.8	137.7	137.2	123.5	140.1
Exports :											
Dollar area—total	"	33.7	31.3	34.8	31.0	29.6	33.8	39.4	34.5	41.6	43.3
" USA	"	14.3	13.3	16.6	14.5	13.1	16.9	20.6	17.2	19.6	18.6
" Canada	"	13.4	11.3	12.1	9.3	9.9	11.1	13.1	10.3	11.7	13.7
Non-sterling OEEC countries	"	62.2	64.7	68.1	70.7	66.6	77.6	71.3	68.6	64.8	78.4
Sterling area	"	106.8	112.2	120.9	128.4	119.6	131.9	120.6	130.7	120.4	129.8
Balance of trade (exports less imports) :											
Dollar area	"	- 19.2	- 20.3	- 35.4	- 35.1	- 33.0	- 46.3	- 33.7	- 35.4	- 28.2	- 19.3
Non-sterling OEEC countries	"	- 1.8	- 3.4	- 11.3	- 7.7	- 5.1	- 1.9	- 9.8	- 21.5	- 9.5	- 4.6
Sterling area	"	- 19.5	- 12.6	- 10.2	- 19.9	- 12.7	- 28.9	- 17.1	- 6.5	- 3.1	- 10.3
TRADE IN SELECTED COMMODITIES											
Imports :											
Wheat	'000 tons	335.0	288.6	375.4	438.3	407.9	428.4	368.7	348.0	422.5	408.3
Meat	"	63.1	56.3	67.1	74.8	73.7	85.8	89.5	99.9	68.0	100.6
Sugar, unrefined	"	247.4	201.2	186.6	133.0	135.4	268.0	185.4	171.8	247.9	209.8
Raw cotton (1)	"	27.5	30.8	24.2	25.4	30.0	30.8	24.8	27.1	22.7	28.5
Raw wool, sheep's and lambs' (1)	mn. lb.	63.2	51.6	55.3	69.3	62.7	74.2	60.9	84.2	56.2	50.1
Rubber, natural and synthetic (1)	'000 tons	18.4	20.6	24.6	26.8	26.6	25.9	31.8	20.6	23.8	27.4
Softwood	'000 stds.	119.1	122.0	140.6	124.1	87.2	106.0	110.5	88.4	55.2	51.5
Woodpulp	'000 tons	133.7	159.8	187.0	205.6	183.1	168.3	171.8	200.5	134.2	106.2
Crude petroleum	mn. galls.	558	606	602	614	675	623	636	598	640	598
Exports of UK produce :											
Coal, including bunkers	'000 tons	1,400	1,351	1,186	1,261	1,069	1,189	1,357	914	856	828
Woven piece-goods—cotton	mn. sq. yds	59	53	46	60	52	54	39	41	39	44
" " wool	'000 sq. yds.	8,710	8,204	8,963	9,638	9,212	9,085	8,790	9,097	8,752	9,391
Passenger cars and chassis	number	25,181	30,487	31,100	36,229	34,085	35,470	25,833	28,465	24,271	28,891
Commercial vehicles and chassis	"	9,196	13,121	13,968	13,968	12,952	14,191	12,514	14,761	12,666	14,081
Agricultural tractors	"	7,807	8,908	8,720	8,915	9,637	11,565	6,972	8,630	8,249	8,021
Machinery—electrical	£'000	5,023	4,923	5,163	6,330	4,925	5,513	5,059	6,426	4,869	5,051
" other	"	30,145	30,553	34,669	35,852	32,824	35,963	37,517	39,751	35,911	40,471
Chemicals, elements and compounds	"	3,968	4,214	4,419	4,695	4,695	4,762	4,417	4,602	5,190	5,121

New York Closing Prices

New York Closing Prices																																																																																																																																			
46/-	31 1/4	5 a	5 b	Nat. Disc. 'B' £1	34 6	34 6	5 15 11																																																																																																																												
50/-	40 6	6 1/4	6 1/2	Union Disc. £1	48/-	49 -	5 2 0																																																																																																																												
35/9	32 1/4	4 a	4 b	Barc. (D.C.O.) of £1	34/-	34/-	3 18 4s																																																																																																																												
41/9	34 1/4	7 1/4	7 1/2	Chart. Bk. of India £1	39 6	38 6	7 15 10																																																																																																																												
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27 1/2	16 1/2	12 1/4	37 1/2	Leg. & Gen. £1	26	25 1/2	1 19 3	Balt. & Ohio																																																																																																																											
25 1/2	20	+20 a	+47 1/2 b	Pearl £1, fully pd.	24	22 1/2	5 4 4	Can. Pac.																																																																																																																											
48 1/2	40 1/2	+117 1/2 c	+125 c	Prudential 'A' £1	46*	46*	4 14 6	N.Y. Cent.																																																																																																																											
BREWERY, ETC.																																																																																																																																			
119/-	111/-	10 a	3 b	Bas. £1	113 9	115/-	7 9 7	Amer. Tel.																																																																																																																											
24 10/20	20/-	10 1/2 b	6 a	Distillers 6/8	23 3	24/-	4 11 8	Staud. Gas																																																																																																																											
45 10/16	38 6	8 b	17 b	Guinness 10/-	40 6	42/-	5 19 1	United Corp.																																																																																																																											
76/-	67 6	14 b	7 c	Whitbread 'A' Ord. £1	70/-	75 7 1/2	5 11 1	W. Union Tel.																																																																																																																											
<table><tr><th colspan="2">Apr. 18</th><th colspan="2">Apr. 25</th><th colspan="2">Apr. 18</th><th colspan="2">Apr. 25</th><th colspan="2">Apr. 18</th><th colspan="2">Apr. 25</th></tr><tr><th>\$</th><th>\$</th><th>\$</th><th>\$</th><th>\$</th><th>\$</th><th>\$</th><th>\$</th><th>\$</th><th>\$</th><th>\$</th><th>\$</th></tr><tr><td>48</td><td>50</td><td>Am. Smelting</td><td>53 1/2</td><td>55 1/2</td><td>Inter. Paper</td><td>134</td><td>131 1/2</td><td></td><td></td><td></td><td></td></tr><tr><td>34 1/2</td><td>34 1/2</td><td>Am. Viscose</td><td>40</td><td>38 1/2</td><td>Nat. Distill.</td><td>24 1/2</td><td>25 1/2</td><td></td><td></td><td></td><td></td></tr><tr><td>41 1/2</td><td>43</td><td>Cel. of Am.</td><td>17 1/2</td><td>17</td><td>Sears Roebuck</td><td>32 1/2</td><td>31 1/2</td><td></td><td></td><td></td><td></td></tr><tr><td>26 1/2</td><td>27</td><td>Chrysler</td><td>70 1/2</td><td>69 1/2</td><td>Shell</td><td>77 1/2</td><td>76 1/2</td><td></td><td></td><td></td><td></td></tr><tr><td>181 1/2</td><td>180 1/2</td><td>Gen. Elec.</td><td>60 1/2</td><td>59 1/2</td><td>Std. Oil of N. J.</td><td>59 1/2</td><td>58 1/2</td><td></td><td></td><td></td><td></td></tr><tr><td>10 1/2</td><td>10 1/2</td><td>Gen. Motors</td><td>44 1/2</td><td>43 1/2</td><td>U.S. Steel</td><td>60 1/2</td><td>60 1/2</td><td></td><td></td><td></td><td></td></tr><tr><td>6 1/2</td><td>6 1/2</td><td>Goodyear</td><td>70 1/2</td><td>68 1/2</td><td>Westinghouse</td><td>59 1/2</td><td>57 1/2</td><td></td><td></td><td></td><td></td></tr><tr><td>21</td><td>20</td><td>Inter. Nickel</td><td>92 1/2</td><td>90 1/2</td><td>Woolworth</td><td>49 1/2</td><td>49</td><td></td><td></td><td></td><td></td></tr></table>												Apr. 18		Apr. 25		Apr. 18		Apr. 25		Apr. 18		Apr. 25		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	48	50	Am. Smelting	53 1/2	55 1/2	Inter. Paper	134	131 1/2					34 1/2	34 1/2	Am. Viscose	40	38 1/2	Nat. Distill.	24 1/2	25 1/2					41 1/2	43	Cel. of Am.	17 1/2	17	Sears Roebuck	32 1/2	31 1/2					26 1/2	27	Chrysler	70 1/2	69 1/2	Shell	77 1/2	76 1/2					181 1/2	180 1/2	Gen. Elec.	60 1/2	59 1/2	Std. Oil of N. J.	59 1/2	58 1/2					10 1/2	10 1/2	Gen. Motors	44 1/2	43 1/2	U.S. Steel	60 1/2	60 1/2					6 1/2	6 1/2	Goodyear	70 1/2	68 1/2	Westinghouse	59 1/2	57 1/2					21	20	Inter. Nickel	92 1/2	90 1/2	Woolworth	49 1/2	49				
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* Ex dividend. † Tax free. Gross yield. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 32½%. (e) To earliest date. (f) Flat yield. (g) On 16%. (h) On 8½%. (j) On 15%. (l) To latest date. (m) On 10%. (p) On 18% tax free. (s) On 6½%. (t) On 13½%. (u) On 11½%. (w) On 14%.

(1) Retained imports. (2) Average for first quarter.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1955 prices
	1947-49=100						1948=100			1939=100	\$	
1939	50.1	36.5	59.4	47.1	52.5	76.1	42	48	88	100.0	23.86	45.97
1954	110.3	95.6	114.8	112.6	104.3	119.1	120	101	119	229.8	71.86	71.65
1955	110.7	89.6	114.5	110.9	103.7	120.0	119	102	117	304.6	76.52	76.52
1955, November	111.2	84.1	115.0	109.8	104.7	120.9	120	104	115	328.4	79.52	79.20
December	111.3	82.9	114.7	109.5	104.7	120.8	121	106	114	333.6	79.71	79.55
1956, January	111.9	84.1	114.6	109.2	104.1	120.6	...	...	...	325.7	78.55	78.47
February	112.4	86.0	114.6	108.8	104.6	120.7	...	...	...	330.0	78.17	78.09
March	112.8	86.6	...	...	...	...	...	...	...	350.9	78.59	...

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	55,230	45,750	17.2
1954	360.5	125	137	108	175	116	100	142	37.6	64,468	61,238	5.0
1955	387.2	139	155	140	203	126	110	159	42.2	65,847	63,193	4.0
1955, November	397.3	143	161	149	212	130	113	164	42.2	67,206	64,807	3.6
December			144	150	212	130	112	166	41.9	66,592	64,165	3.6
1956, January	399.0	143	160	148	205	129	111	165	41.5	65,775	62,891	4.4
February		143	158	148	201	129	111	166	41.4	65,490	62,576	4.4
March		142	157	146	197	129	110	166	41.6	65,913	63,078	4.3

TRADE

	Personal consumption Annual rates	All business *		Total retail *		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manufactures	Total	Finished goods	Imports	Exports
		\$ billion; seasonally adjusted				\$ million			\$ million		1948=100	
1939	67.6	10.8	20.1	3.5	5.5	190	62	41	260	139	76	53
1954	236.5	46.7	76.9	14.2	22.1	853	200	193	1,247	811	120	119
1955	252.3	51.7	82.2	15.5	23.9	945	237	231	1,279	782	134	120
1955, October	257.2	52.5	80.9	15.8	23.3	1,013	244	240	1,385	821	142	129
November	257.2	53.2	81.6	15.8	23.6	1,051	248	252	1,299	765	147	120
December	257.2	53.2	82.2	15.8	23.9	1,006	288	255	1,387	828	140	127
1956, January	259.4	52.9	82.8	15.7	24.1	1,047	...	...	1,263	767	...	...
February	259.4	52.9	83.5	15.3	24.2	...	...	...	1,340	...	...	...
March	259.4	...	...	15.7	...	...	...	...	...	...	...	...

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
1954	287.6	202.8	12.0	30.13	22.47	85.3	70.6	67.8	3.1	0.953	2.52	2.90
1955	303.2	215.5	11.0	36.23	27.90	78.3	82.8	64.6	4.2	1.753	2.80	3.06
1955, October	308.7	220.4	10.7	34.64	26.96	79.7	79.2	5.4	2.7	2.259	2.82	3.10
November	311.5	222.4	11.1	35.06	27.25	78.0	81.4	5.2	0.5	2.225	2.85	3.10
December	314.3	223.0	10.6	36.23	27.90	78.3	82.8	5.7	0.8	2.564	2.83	3.15
1956, January	312.7	223.4	10.3	35.60	27.77	77.4	82.0	5.3	0.6	2.456	2.86	3.11
February	313.1	223.2	10.6	35.27	27.78	75.7	82.6	5.0	1.2	2.372	2.82	3.08
March	...	...	...	...	...	...	...	...	...	2.310	2.90	3.10

(1) Figures calculated on the basis of a new and larger sample. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (3) All commercial banks. (4) Annual figures are totals for the fiscal year ended June 30th. (5) Average for fourth quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended April 21st, 1956, there was an "above-line" deficit (after allowing for Sinking Funds) of £29,270,000 compared with a deficit of £30,379,000 in the previous week and a surplus of £5,485,000 in the corresponding period of last year. Net expenditure "below-line" last week reached £4,423,000, bringing the total cumulative deficit to £49,813,000 (£79,619,000 in 1955-56).

£'000	Estimate, 1956-57	April 1, 1955 to April 23, 1955	April 1, 1956 to April 21, 1956	Week ended April 21, 1955	Week ended April 21, 1956
Ord. Revenue	2085,500	66,988	72,594	17,554	18,893
Income Tax	144,000	7,100	9,000	1,600	2,000
Death Duties	170,000	11,900	10,700	4,100	3,400
Stamps	58,900	4,200	2,900	1,000	1,000
Profits Tax, E.P.T.	216,750	11,100	8,200	1,800	1,000
Excess Profits Levy	4,000	3,900	700	500	...
Special Contribution and other Inland Revenue	1,000	...	...	...	...
Total Inland Rev.	2680,150	105,188	104,094	26,554	26,293
Customs	1204,000	62,872	65,855	20,949	24,296
Excise	953,350	20,530	17,045	5,320	5,450
Total Customs and Excise	2157,350	83,402	82,900	26,269	29,746
Motor Duties	92,000	4,840	5,223	...	...
PO (Net Receipts)	10,000	...	...	...	...
Broadcast Licences	28,000	...	...	...	...
Sundry Loans	30,000	54	128	...	...
Miscellaneous	200,000	6,905	7,290	543	250
Total	5197,500	206,388	199,438	53,388	56,289
Ord. Expenditure	670,000	58,456	59,251	5,378	25,545
Debt Interest	...	...	...	...	...
Payments to N. Ireland Exchequer	61,000	1,747	2,007	...	...
Other Cons. Fund	10,000	356	654	352	354
Supply Services	3979,685	199,640	189,980	41,540	58,750
Total	4720,685	258,200	261,892	47,270	84,639
Sinking Funds	37,000	1,044	1,180	610	930
"Above-line" Surplus or Deficit	...	58,855	63,437	6,488	29,270
"Below-line" Net Expenditure	...	20,764	Cr 3,624	4,727	4,423
Total Surplus or Deficit	...	79,619	46,813	780	33,693
Net Receipts from:	...	...	...	...	...
Treasury Certificates	10,506	9,678	942	1,350	...
Savings Certificates	3,600	2,300	500	300	...
Defence Bonds	1,316	9,624	283	4700	...

THE MONEY MARKET

The discount market made no change in its bid at the Treasury bill tender on Friday last, offering £98 14s. 5d. per cent. The amount on offer was down by £10 million, to £230 million, and as total applications rose by just over £1 million, to £382.4 million, the market's allotment fell sharply, from 60 to 43 per cent. The average rate of discount on all bills fell at the same time by nearly 1½d. to £5 2s. 4½d. per cent. At yesterday's tender, the offer was restored to £240 million; matching maturities next week will exceed new bills by £10 million, as this week.

Credit supplies were exceptionally plentiful in the middle of the week; on Wednesday a surplus of funds remained even after the Bank had made considerable reverse sales of bills, both direct to the market and to the banks. Rates for overnight money from non-clearing banks were down to 3 per cent. On Monday, however, the Bank made a fair amount of special purchases to mitigate stringency, whilst on Thursday of last week one or two houses were forced to take loans at Bank rate, though for a very small amount.

Sterling has slipped slightly from the peak reached on the aftermath of the Budget. The spot rate on New York weakened from \$2.81½ on Thursday of last week to \$2.80½ at Wednesday's close. The London gold price has risen in sympathy, from 248s. 11½d. a fine ounce to 249s. 0½d.

LONDON MONEY RATES

Bank rate (from 4½% 16/2/56)	Discount rates
Bank bills: 60 days 5½	Bank bills: 60 days 5½
3 months 5½	3 months 5½
4 months 5½	4 months 5½
6 months 5½	6 months 5½
Money Day-to-day 3½	Fine trade bills:
Short periods 4½	3 months 6-6½
Treas. bills 2 months 5½	4 months 6-6½
3 months 5½	6 months 6-7

* Call money.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	(Official Rates	Market Rates : Spot						
	April 25	April 19	April 20	April 21	April 23	April 24	April 25	
United States \$...	2-78-2-82	2-81-2-81½	2-80½-2-81	2-80½-2-81½	2-80½-2-81	2-80½-2-81	2-80½-2-80½	
Canadian \$		2-80-2-80½	2-79½-2-80	2-79½-2-79½	2-79½-2-79½	2-79½-2-79½	2-78½-2-78½	
French Fr.	972-65-987-35	985½-985½	985½-985½	985½-985½	985½-985½	985½-985½	985½-985½	
Swiss Fr.	12-15-12-33	12-27½-12-27½	12-27½-12-27½	12-27½-12-27½	12-27½-12-27½	12-27½-12-27½	12-27½-12-27½	
Belgian Fr.	138-95	139-70	139-70	139-70	139-70	139-70	139-70	
	141-05	139-75	139-75	139-75	139-75	139-75	139-75	
Dutch Gld.	10-56-10-72	10-65½-10-65½	10-65½-10-65½	10-65½-10-66	10-65½-10-66	10-66-10-66½	10-66½-10-66½	
W. Ger. D-Mk.	11-67-11-84½	11-74½-11-74½	11-74½-11-74½	11-73½-11-74½	11-73½-11-74	11-73½-11-74½	11-73½-11-74	
Portuguese Esc.	79-90-81-10	80-25-80-45	80-25-80-45	80-25-80-45	80-25-80-45	80-25-80-45	80-25-80-45	
Italian Lire	17361-17621	1754-1754	1754-1755	1754½-1754½	1754½-1754½	1754½-1754½	1754½-1754½	
Swedish Kr.	14-37½-14-58	14-55½-14-55½	14-55½-14-56	14-55½-14-56½	14-55½-14-56	14-56½-14-56½	14-56½-14-56½	
Danish Kr.	19-19½-19-48	19-38½-19-38½	19-38½-19-38½	19-38½-19-38½	19-38½-19-39	19-38½-19-39	19-38½-19-39	
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 \$	1-1-1c. pm	1-1-1c. pm	1-1-1c. pm	1-1-1c. pm	1-1-1c. pm	1-1-1c. pm	1-1-1c. pm	
Canadian \$	1-1-1c. pm	1-1-1c. pm	1-1-1c. pm	1-1-1c. pm	1-1-1c. pm	1-1-1c. pm	1-1-1c. pm	
French Fr.	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	
Swiss Fr.	3-24c. pm	3-24c. pm	3-24c. pm	3-24c. pm	3-24c. pm	3-24c. pm	3-24c. pm	
Belgian Fr.	1-1-1 pm	1-1-1 pm	1-1-1 pm	1-1-1 pm	1-1-1 pm	1-1-1 pm	1-1-1 pm	
Dutch Gld.	21-24c. pm	21-24c. pm	21-24c. pm	21-24c. pm	21-24c. pm	21-24c. pm	21-24c. pm	
W. Ger. D-Mk.	2-11pt. pm	2-11pt. pm	2-11pt. pm	2-11pt. pm	2-11pt. pm	2-11pt. pm	2-11pt. pm	
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.	4-36 pm	4-36 pm	4-36 pm	4-36 pm	4-36 pm	4-36 pm	4-36 pm	
Danish Kr.	5-26 pm	5-26 pm	5-26 pm	5-26 pm	5-26 pm	5-26 pm	5-43 pm	
Norwegian Kr.	26 pm-par	26 pm-par	26 pm-dis	26 pm-dis	26 pm-dis	26 pm-dis	26 pm-dis	
Gold Price at Fixing								
Price (s. d. per fine oz.)	248/11½	249/-	...	249/1	249/0½	249/0½	249/0½	



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COMPANY MEETINGS

THE CUNARD STEAM-SHIP COMPANY LIMITED

1955 FIGURES BETTER THAN EXPECTED

Colonel Denis H. Bates, Chairman of the Company, in a statement to stockholders for submission at the seventy-ninth Annual Meeting to be held on May 16th says:

Her Royal Highness Princess Margaret conferred a signal honour on the Company by naming and launching in December our new *Carinthia* at Clydebank, and we are deeply proud of the continued and gracious interest of the Royal family in our endeavours.

Mr R. Crail retired from the Board in December after 56 years devoted service to the Company. Mr J. C. Taylor was appointed a Director in September.

In 1955 we were bedevilled with many difficulties: first we felt severely the aftermath of the dislocation to our services caused by the United Kingdom dock strike of the autumn of 1954. There followed in quick succession another unofficial strike of dock labour, railway strikes in the United Kingdom and France, and the unofficial ships' crews strike in the summer. Abroad there was a long "go slow" movement in the Calcutta docks and difficulties and delays on the waterfronts of Australia and New York.

The year taxed the ingenuity and resource of shipowning management to the utmost in the endeavour to mitigate the sad effects caused by these problems. The 1955 figures have in fact turned out a great deal better than might have been anticipated and we are greatly indebted to the skill of management and to the hard work of Cunard, Port and Brocklebank staffs and to our many agents.

The unofficial strike of ships' crews was a particularly unhappy experience and I would like to make it clear that the loyal members of the seagoing staff greatly outnumbered those who were dissident or who had been led astray by extremist elements but the necessary reorganisation and regrouping of full crew complements of loyal members inevitably takes time to carry out before sailings can be resumed.

Though the trouble originated from dissension within the Union, complaints subsequently were made about accommodation and conditions in some of our older ships. The financial problem of tonnage replacement has undoubtedly caused us to run several passenger and cargo ships beyond our normal retiring age and, of course, such vessels suffer by comparison with our newer ships in their design and standard of crew accommodation and though every effort is made to rejuvenate such accommodation to modern standards there are practical limitations.

Whilst I can appreciate the urge behind official strikes and am aware of the serious thought generally given before they are launched, the "wild cat" or unofficial strike such as this crews' strike seems a double edged weapon forged without much thought. Our passenger ships are dependent on the goodwill of our passengers, to whom the strikes were clearly timed to cause the greatest possible embarrassment—the very people on whom the crews as well as the Company depend for their livelihood. The Management naturally did their utmost to lighten the ill effects and hardships: as many alternative berths as possible were found for the stranded passengers in foreign flag ships and

in the air lines. But the question remains—how many passengers upset by the crews' strike learned to travel in future by means other than Cunard?

INCREASE IN OPERATING SURPLUS

In the Consolidated accounts, despite the year's adverse incidents, operating surplus at £7,405,872 shows a welcome improvement of £658,288 on 1954. Freight services in the Atlantic, Australian, New Zealand and Eastern trades, together with the cruise earnings have in the main provided this increase, but whilst we lost passengers at the height of the season through having to blank some sailings during the crews' strike the total volume of Atlantic traffic was larger and at the end of the year Cunard carried virtually its normal annual number of passengers.

With new tonnage coming into commission, annual depreciation of £3,446,293 shows an increase of £554,292. United Kingdom taxation at £2,504,070 is calculated in the normal way and includes the investment allowance for the Group of £746,148 which is transferred direct to reserve for ship replacement. Despite the increase in operating surplus the balance surplus at £1,827,969 is £329,297 less than the previous year mainly on account of the rise in annual depreciation and income tax.

Amounts retained by subsidiary companies and transferred to Cunard reserves are both considerably reduced compared with previous years; these annual allocations, together with annual depreciation, form the backbone for replacement of the fleets and the position is being watched closely.

As to the ordinary dividend, I would again remind you of your Board's endeavour to "steer a steady course." The net amount of the interim dividend declared last October was the nearest figure without going into decimal points to the same net amount paid out in the two interim dividends for 1954, which were calculated on different totals of capital and at different rates of tax. Now recommended is a final dividend of 7½ per cent, making the total payment less tax the same as for 1954. Carry forward at £1,321,154 is increased by £85,231.

In the consolidated balance sheet, reserves are increased by £1,622,012 and show the impact of the investment allowance. Creditors and debtors at £28,227,946 and £5,175,060 respectively both show increases from normal fluctuations of trade. The enlargement over last year is mainly due to open running voyages at the end of the year and to prepaid passage monies. Before the close of 1954, £5 million of invested funds were realised on the market to provide the near requirements of our building programmes. The market value of to-day's investments is below the value in the books but being all in dated Government securities with the redemption dates spread to suit the Company's likely requirements, it is not anticipated they will have to be realised before the date of redemption and no allowance has therefore been made for the depreciation in current market value.

FORMIDABLE BUILDING PROGRAMME

Total gross tonnage under construction is 96,300 and outstanding liabilities for new

ships are approximately £14,450,000. That is a formidable programme but it will only carry us to, say, 1958 and as I pointed out at great length last year the problem of full replacement is a very difficult one which has been made no easier over the past year on account of a further increase in shipbuilding costs.

The retention of the investment allowance for the shipping industry by the Chancellor of the Exchequer is a valuable and much appreciated aid in this direction. But Companies with their ships registered under flags of "Advantage" or "Convenience" continue to thrive in happy and almost total avoidance of taxation in a perfectly legal manner and to make the position clear to stockholders, if the Cunard had been able to work under a Company registered under a flag of "Advantage" instead of in Britain under the Red Ensign, our profits over the six years 1949/54 would be increased by over £14 million (saved in taxation). This additional finance would, of course, have solved our difficulty in providing the extra cost of building to replace fully the ships as they age and it is well to remember that those foreign shipping concerns who can and do adopt this method of advantageous registration will be in a very strong competitive position in the future.

Will, in fact, Britain's future and eventual participation in world shipping be forced to the level of the following notice which I recently saw in the press? "The Greek owned, Liberian registered, Japanese built, British chartered and British skippered 14,000 tons steamer S.S. sailed or what?"

As to prospects for 1956, with the economic situation in the United Kingdom somewhat uncertain in regard to the volume of exports and imports it is difficult to form a worth while forecast for the next twelve months, nor can industrial peace be relied on.

The costs of running and working ships are still rising and such essential items as fuel and diesel oil for instance show considerable advances and it will be very difficult to increase revenue to cover the additional expenditure.

NEED FOR SPEEDIER "TURN-ROUND"

From the angle of cargo ships the saving which would give the best result would be the speed up of the turn-round of the ships in port. Port authorities everywhere are well seized with this important point and are making every effort to improve the position. For instance, the port commissioners of Colombo harbour with much foresight have embarked on a large scheme for the reorganisation of the port's quays and wharves which is partly in operation and is already giving quicker ship despatch.

However that may be, the first essential for 1956 is industrial peace and if this could be attained and the ships could be allowed to run their schedules and services regularly the year's results of the three main operating Companies of our Group would be reasonably good because the teams and organisations generally of the Cunard, Port and Brocklebank Lines, together with their offices and agents overseas, are all well set and poised to take advantage of the opportunity if only it is granted to them.

F. PERKINS LIMITED

(Manufacturers of High Quality Diesel Engines)

TURNOVER FIGURES ACHIEVE FURTHER RECORDS

POLICY OF GREATER EXPORTS

MR F. A. PERKINS ON INCREASE IN DIESEL MARKETS AND APPLICATIONS

The twenty-fourth annual general meeting of F. Perkins Limited will be held on May 14th at the May Fair Hotel, London, W.1.

The following is the statement by the Chairman, Mr F. A. Perkins, which has been circulated with the report and accounts for the year ended December 31, 1955:

The Report and accompanying Accounts are the Twenty-Fourth in the history of the Company.

The turnover of the Company has continued to increase and at nearly £20 million shows an increase of 18 per cent over 1954. The whole of this increase is attributable to an expansion of the business as the prices of the Company's products have not been increased.

The net profit for the year after charging all working expenses and depreciation was £828,759 as compared with £1,169,340 in the previous year.

Your Directors recommend a Dividend of 10 per cent for the year. This is equivalent to the rate paid last year after taking into account the Bonus Share issue.

The Accounts and the Directors' Report show the appropriations of the profits which are recommended by the Directors.

CAPITAL COMMITMENTS

During the year the Company spent £666,708 on Fixed Assets and with further calls on the cash resources to finance an increase in stocks and trade debtors our cash on hand at the end of the year was £574,103 less than a year ago. It is clear that with Capital Commitments of £729,000 it will be necessary to raise additional finance in the near future, and your Board is giving considerable thought to this problem. It is worthy of note that no new capital has been raised since 1951 and that in the meantime the turnover has been doubled.

Due to shortages of constructional steel and the lack of availability of building labour the progress of the factory extension has been slow, but this is now nearing completion and some part of the machine tools are installed and are in operation. Other machine tools and equipment are due for delivery during the current year and it is not anticipated that the full benefit of this expenditure will be apparent until 1957.

Last year I said that we would, without doubt, find it necessary to hold larger stocks, and they have in fact increased by £802,731 during the year. With an ever-increasing range of engines and the need to give prompt delivery it has been found necessary to hold these increased stocks; continuous attention is, however, being given to this very important matter.

Trade Debtors show an increase over last year and this trend has been due very largely to the fact that our direct exports overseas have increased. Suitable terms of payment are still an important factor in securing this type of business. In the home market there are definite signs of a deterioration in payment of accounts.

The reduction in profit over last year is

in great part due to heavy expenses incurred in developing the R6 engine. This was produced to meet the demands of overseas users for a diesel engine which would maintain a high road speed. In some respects we were pioneers in this direction, and in spite of extensive road tests, difficulties were shown up under operating conditions.

Your Board's policy has been to ensure that as little inconvenience as possible should be caused to operators of R6 powered vehicles. We have spent a considerable sum in carrying out modifications to the engine and we feel that in doing this we have retained the goodwill of our customers by demonstrating to them that we stand behind our product.

When the modifications are complete, we are confident that the engine will be fully up to the standard of reliability of our other products.

There has been a further increase in costs of material, labour and transport during the year, but we did not increase our prices; in fact, we have not increased our engine prices since February, 1952.

Suitable sources of supply of our more specialised components show only a very slow improvement, and from time to time it has become increasingly difficult to meet our customers' demands. I made reference to this last year, and in spite of our forward planning and our close relationship with our suppliers, these difficulties persist right up to the present day.

Last year I referred to the shortage of steel and of grey iron castings, and since then conditions have not improved. We had to make purchases on the Continent and are continuing to do so in order to meet our customers' growing demands.

POPULARITY OF DIESEL ENGINES

With the increased popularity of the diesel engine for commercial vehicles and tractors there has been an increased demand for components suitable for those engines and the basic industries have not, as yet, increased their supplies to satisfy the demand, in particular in the matter of alloy steel. For example, a diesel engine crankshaft is approximately twice the weight of a petrol engine crankshaft and of much higher quality steel.

I am able to report that our Order Book continues to increase in line with our increased turnover, and that there has been again a spreading of both customers and applications.

Until recent years, municipal engineers had not been satisfied that the diesel engine was necessarily an economical proposition for powering their specialised vehicles, but I am able to say that there is now no doubt about the economy of diesel engines in this field, and the number of makers of these types of vehicles fitting our engines has increased.

Our Subsidiary Companies in Australia, Canada and South Africa have continued to look after our interests in those areas and

each one of them shows an increase in business during the year.

In Canada, after some years of preparation, we have now started to get some worth-while business, and one Agricultural Equipment Company has standardised on our L4 engine for their tractors. The first order has been completed and the second is now in our hands. Our Canadian Company has moved to new premises where they are able to carry out Engineering Development work to suit North American customers' requirements. This Development work will also benefit the Group's products as a whole.

In Australia the Company is now operating its engine reconditioning plant, and this business should increase from year to year. A tractor manufacturer in Western Australia has standardised on the L4 engine. Industrial Development in Australia is proceeding rapidly and as our engines are well known there, we can expect to reap some advantage in the future.

The South African Company has continued to trade satisfactorily. Alterations in distribution methods have resulted in increased sales.

Last year I referred to the reorganisation of the French Company, and I am happy to report that during 1955 a large number of engines have been assembled and partially manufactured by our sub-contractors. It is anticipated that local manufacture will develop more rapidly during the next twelve months, and although this will result in a reduction of shipments from Peterborough, your Company as a whole will continue to benefit from this business.

During the year new dollar markets have been developed in both the Philippines and Mexico, while established markets such as Germany, India and the Middle East have taken increased numbers of engines.

The percentage of our turnover applicable to exports is approximately 70 per cent and in this respect I am able to report that this year the proportion of these exports which have been direct from Peterborough have increased. A great part of this increase is due to the importance we place on endeavouring to do business in every part of the world where the demand exists and the local regulations do not make business impossible.

Our confidence in the future of the diesel engine remains as firm as ever. The Company's Design and Research Departments are working on new engine designs, and at the same time studying other new forms of power which may have an application in the very long-term future.

For some years now it has been our aim to introduce a Works' Retirement Benefit Scheme, and I am happy to be able to report that this was successfully launched in the middle of the year. It was very well received by all concerned.

The continued success of the Company is due in great part to the efforts of all ranks of employees. Without the full co-operation and joint understanding which exists, it would not be possible to continue to prosper.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

TOTAL ASSETS EXCEED £124 MILLION

BONUSES TO LIFE POLICY
HOLDERS

MR E. H. HAYNES'S SURVEY

The ninety-fifth annual general meeting of The Royal London Mutual Insurance Society Limited was held on April 24th at the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.

Mr E. H. Haynes, FIA, chairman and Joint Managing Director, who presided, said: It cannot be denied that substantial investment is essential if this country is to hold its place in world trade, and the long-term remedy must be to keep consumer demand within the limits imposed by productive capacity and the needs of capital investment.

To my mind the most important factor, which can help to keep demand within bounds is habitual saving on a substantial scale by a wide sector of the population. In

fostering the habit of saving, the Home Service Insurance Offices, such as ourselves, have a most important part to play.

Royal London endowment assurance policies provide an ideal method of easy saving and at the same time cover the policyholder's dependants against the mischance of his early death.

December 31, 1955, marked the end of another quinquennium in the Society's history and was the occasion of an actuarial valuation of each of the Funds.

ORDINARY BRANCH

The premium income in the Ordinary Branch (including consideration for annuities granted) amounted to £3,962,000, an increase of £88,000 over the previous year. The Fund at the end of the year amounted to £34,797,000, an increase of £1,635,000.

A simple Reversionary Bonus at the rate of £1 10s. per cent per annum in respect of the years 1951-53 and £1 14s. per cent in respect of each of the years 1954 and 1955 is allotted to fully participating with-profit policies.

The Directors have pleasure in announcing that Interim Bonus will be payable during the ensuing year at the increased rate of £1 18s. per cent per annum, subject to with-

drawal or modification by the Directors at any time without notice.

INDUSTRIAL BRANCH

In the Industrial Branch the premium income for the year amounted to £9,593,000, an increase of £315,000 over the previous year.

It gives me great pleasure to announce that a Reversionary Bonus has been allotted on policies issued in the years 1946-1950 at the rate of £1 3s. per cent per annum in respect of the years 1951-1955 and at the rate of £1 per cent per annum for calendar years completed during the period January 1, 1946, to December 31, 1950. Policies issued on or before December 31, 1945, receive a new bonus at the rate of £1 3s. per cent per annum for five years.

GENERAL BRANCH

The premium income in this Branch for 1955 was £730,000, an increase of £72,000.

The total income of the Society during the year was £19,221,000, while benefits paid to policyholders amounted to £7,693,000. The total payments to policyholders since the inception of the Society amounted to more than £140 million.

The report and accounts were unanimously adopted.

BRITISH OXYGEN COMPANY

MODERATE INCREASE IN PROFITS

EXPENDITURE TO MEET GROWING DEMAND

MR J. S. HUTCHISON'S SPEECH

The seventieth annual general meeting of The British Oxygen Company, Limited, was held on April 25th in London.

Mr J. S. Hutchison, chairman of the company, in the course of his speech, said: The Consolidated Profit at £4,277,152 after charging Depreciation of £2,015,484 includes the profit of the Subsidiary Companies for twelve months and the profit of the Parent Company Industrial Medical and Chemicals activities in the United Kingdom for nine months, to September 30, 1955. Profits in 1954, adjusted to corresponding periods would have been £4,168,369. Accordingly there has been a moderate increase in the profit earned in the period of these Accounts.

In accordance with the indication given last year the Ordinary Dividend payment has been maintained at the full rate of 15 per cent without adjustment for the shorter period of operation to September 30, 1955. The special basis applied in these particular circumstances does not carry any implication as to future dividend rates.

CAPITAL REQUIREMENTS

We have experienced over a period of years a steady growth in demand for our products for general industrial purposes. Bigger outputs of steel have led to bigger demands for industrial gases and particularly for oxygen. In the next few months, to meet this, we shall complete the installation of a series of 50-ton per day liquid oxygen plants as standard production units and the capital cost already incurred and to be incurred to bring this significant additional capacity into use with buildings, services, vehicles, and associated equipment will lie in the neighbourhood of £3 million.

New and greatly increased targets were recently announced for United Kingdom steel production up to 1962 and we must look to the production capacity we shall have to create over that period to meet the resultant call on us for supplies of oxygen and other gases. The extension we shall require to make in the period may be considerable.

There has been a rapid advance, too, in which we have played a prominent part, in the use of oxygen in steelmaking for pre-treatment, for assisted melting, for assisted refining in open hearth practice and for blast enrichment in the Bessemer process. Sales for such purposes which were 274 million cubic feet in 1954 are now at a rate of 700 million cubic feet per annum. Our technical contribution in this development is a full one and the prospect is that today's figures will quickly be dwarfed by the scale on which the steel industry now intends to apply these processes.

The stage has been reached, as many will be aware, of our installation of specially sited "tonnage" oxygen producing plants to provide the very large continuous supplies required by the steelworks for process use and we announced recently initial projects for the development of two new works at a cost of £1 million with 200-ton per day oxygen plants at Scunthorpe and Middlesbrough to serve in the most economic way important users in these areas.

These capital expenditures are considerable and although our Ordinary Share Issue of last year furnished an addition to our resources of £4 million after repayment of our former £4 million loan, we must look to the fact that we have further very necessary expenditure to meet. Towards this our total depreciation provisions and profit retentions amounting to some £3 million per annum make a substantial contribution. The programme ahead, however, to meet the requirements I have indicated and for other tonnage oxygen supplies, will go beyond these resources and it will be appreciated that the conjunction of the three factors of firm general growth in use of industrial gases, the greatly increased steel programme, and the new steelworks' demand for process use, will focus for us considerable expenditure into the next two or three years.

The requirement by the Chancellor of the Exchequer, on the other hand, is for the deferment of capital expenditure which does not have the element of urgency in relation to current needs. It means the postponement of many items which are desirable in our general facilities which do not meet this stipulation and a strict control of the development projects that do. The situation cannot be precisely defined at this stage and the Directors accordingly have the subject of Capital Expenditure programmes and Capital resources under very close review.

GAS DIVISION—INDUSTRIAL AND MEDICAL

Earnings from our business in the United Kingdom were adversely affected in the period by heavy cost increases in three main directions—electricity, wages and salaries. Electricity forms a very large part of our oxygen production cost, and wages and salaries have heavy effect in every branch of handling, distributing and general organisation. The sharp increases we had to face in the period in these basic items had an impact on margins quite beyond any benefit experienced from greater scale of operation or improvement of plant and methods and we have had no option but to increase selling prices. We continue to make every endeavour to keep a tight rein on costs and to hold selling prices, but there are limits to what we can do in face of these recurrent increases which are part and parcel of the inflationary situation.

OVERSEAS INTERESTS

Experience overseas in 1955 was favourable throughout, with continuing increase in demand for our products and improvement in earnings from a steady expansion of sales.

PROSPECTS

British Oxygen Gases Limited, which now operates the industrial and medical gas business and handles the sale of gas equipment in the United Kingdom, is experiencing a favourable progression of sales with, I am glad to say, no perceptible effect from the present lessened activity in certain sections of industry. The home business has in recent years, and particularly in the last nine months, been very much subject to the effect of cost increases. Provided we can avoid further inflationary cost increases, I am confi-

dent that British Oxygen Gases Limited should at least hold its own and gain some additional reward for the appreciable increase in business expected to be transacted.

Our Electric Welding interests continue to grow and this expansion should be maintained against a background of increasing industrial interest in modern welding techniques.

British Oxygen Chemicals Limited is consolidating its position and may offer us a modest improvement.

Our Overseas Associated Companies report favourable current trading and good prospects. Subject to a necessary reservation as to the possible effect of political factors in certain countries, it is probable that overseas profits will again show expansion this year.

1956 has many new features for our organisation and the national background also is subject to important change. The circumstances make it unwise to try to see too far ahead or to do other than take a general view. My expectation is that the general expansion in trading which is our experience at present will find some favourable reflection in next year's accounts.

The report was adopted and the Board's capital proposals were approved.

NORWICH UNION INSURANCE SOCIETY

ANNUAL MEETINGS

LIFE SOCIETY

Speaking at the 148th annual meeting of the Norwich Union Life Insurance Society, held at Norwich on April 24th, the President, Sir Robert Bignold, reported expansion in almost all sections of the Society's business. New assurance business at over £68 million showed an increase of over £6½ million, whilst the capital value of pension business totalled nearly £30 million.

Total funds at £127 million were £11 million up, while the net rate of interest earned had risen from £4 1s. 10d. per cent to £4 4s. 4d. per cent.

Sir Robert said he was sure with-profit policyholders would welcome the very satisfactory rates of bonus which it had been possible to declare. For the United Kingdom and Eire these were as much as £2 12s. per cent per annum for fully participating Whole life insurances, and £2 2s. per cent per annum for Endowment insurances—both 10s. per cent per annum higher than those declared five years ago.

FIRE SOCIETY

At the 158th annual meeting of the Norwich Union Fire Insurance Society Limited, the Chairman, Sir Robert Bignold, said the accounts for 1955 revealed considerable expansion of premium income. The total at £16,259,538 showed an increase of £1,108,399 over 1954.

Fire premiums totalled £6,667,531, an increase of £154,310, profit in this account being £330,322. Accident premiums advanced by £892,016 to £8,366,183 and the account showed a moderate overall profit of £158,344. Marine premiums totalled £1,225,824 (£1,163,751 in 1954) and the transfer to Profit and Loss account was £100,000.

Total transfers to Profit and Loss were £588,666, whilst taxation required only £209,319 as against £727,291 in 1954. Interest earnings increased by £45,158 to £366,747 net.

Total assets amounted to £22,941,189, an increase of £706,001.

THE LEADING BELGIAN BANK WITH 134 YEARS OF EXPERIENCE

BANQUE DE LA SOCIÉTÉ GÉNÉRALE DE BELGIQUE S.A.

3, Montagne du Parc, Brussels (Belgium)

ASSETS BALANCE SHEET AS AT DECEMBER 31, 1955 LIABILITIES

CURRENT ASSETS:		CURRENT LIABILITIES:	
Cash in hand, at the Banque Nationale and the Postal	Fr. 2,603,977,715.19	Preferred or guaranteed creditors	Fr. 28,809,888.10
Cheque Office	215,086,438.—	Banque Nationale de Belgique	28,809,888.10
Money at Call	1,030,639,713.95	Other creditors	98,859,888.19
Balances with other Banks	981,251,166.82	Head Office, Branches and Affiliated Banks(1)	1,735,771,850.91
Head Office, Branches and Affiliated Banks(1)	1,821,289,320.12	Acceptances	355,549,498.36
Other short-term assets	—	Other short-term liabilities	3,068,078,487.08
Trade bills	6,223,505,070.53	Bills in course of collection	397,731,753.25
Government bills rediscountable with the Banque	—	Deposits and current accounts	229,041,944.75
Nationale	4,400,000,000.—	at sight or at one month's notice	—
Government bills mobilisable up to 80% with the	—	time deposits	26,173,775,411.08
Banque Nationale	7,481,000,000.—	Other liabilities	5,563,268,088.06
Loans and advances on securities	17,184,569,070.53	Bonds and Notes(2)	30,727,043,500.14
Liabilities of customers for acceptances	339,818,461.81	Amounts callable on securities	979,231,000.—
Similarity debtors	3,085,078,487.08	Other liabilities	320,801,372.60
Securities portfolio:	5,943,539,318.51	Other liabilities	331,967,797.29
Legal reserve securities	100,000,000.—	CAPITAL AND RESERVES:	1,000,000,000.—
Belgian government securities	6,753,533,189.25	Capital	100,000,000.—
Foreign government securities	8,931,040.—	Legal Reserve (Royal Decree No. 185, art. 13)	100,000,000.—
Bank stocks	737,239,763.00	Available reserve	891,946,139.44
Other securities	832,997,314.—	PROFIT AND LOSS ACCOUNT:	1,991,946,139.44
Other assets	7,882,701,214.75	Balance brought forward	35,454,511.51
FIXED ASSETS: 9	171,114,890.39	Profit for 1955	970,683,717.36
Bank premises	125,000,000.—		296,078,598.57
Participation in real estate subsidiary companies	1.—		
Amounts due from real estate subsidiary companies	1.—		
	125,000,000.—		
	Fr. 40,339,997,909.05		Fr. 40,339,997,909.05

CONTINGENT ACCOUNTS

	Fr.	Fr.
Assets pledged as collateral:		
for own account with the Banque Nationale (credit unused)	2,110,000,000.—	
for account of others	20,850,500.—	
Securities pledged for own account	2,130,850,500.—	
Guarantees received	130,792,000.—	
Guarantees given for account of others	10,536,598,304.86	
Bills rediscounted	4,025,619,144.73	
Forward exchange	1,543,345,369.00	
Securities held in safe custody	918,297,748.—	
Monetary reform loan (law of 14.10.48, art. 1):	190,483,092,815.—	
(a) for private holders	—	
(b) for tax collectors	3,106,000,000.—	
Other accounts	8,106,000,000.—	
Provisionary notes executed by debtors	5,778,465,144.48	
Assets deposited with third parties	339,010,006.42	
	4,741,192,947.—	

Principal Correspondent in London: BANQUE BELGE POUR L'ETRANGER (OVERSEAS) LIMITED, 4, Bishopsgate, E.C.2.

THE BRITISH WAGON COMPANY LIMITED

RECORD VOLUME OF BUSINESS

TWO-FOLD EFFECT OF "CREDIT SQUEEZE"

MR W. H. COPLEY ON COMPANY'S EVER-WIDENING INFLUENCE

The Eighty-seventh Annual General Meeting of The British Wagon Company Limited was held at the Registered Office of the Company, 23 Moorgate, Rotherham, on April 20th, the Chairman, Mr W. H. Copley, FCA, presiding. The following is the Statement by the Chairman, which was circulated with the Report and Accounts for 1955:

The Directors have pleasure in submitting the Accounts for 1955. The Net Earnings of the Group of £791,343 show an increase of £155,342 on 1954 and the Net Profit for the year of £214,820, after providing for taxation, is evidence of the record volume of business handled during the year.

In considering the dividend the Directors had in mind the importance of maintaining the strength of the Company's equity by retained profits, and this comment should be read in the context of the Report generally. In the circumstances they decided to recommend that the dividend be maintained at the same rate as last year. A first interim dividend of 5 per cent on the Paid-up Capital was paid on July 30, 1955, and a second interim dividend of 15 per cent was paid on March 21, 1956, making a total of 20 per cent for the year. No further dividend will be recommended in respect of 1955.

During the year your Company, together with certain other finance Companies and banks, was involved in an unfortunate transaction which will result in a substantial loss. Provision has been made in the year's Accounts which your Directors are satisfied will be adequate to meet the position.

YEAR OF STIMULATING PROBLEMS

We look back on 1955 as a year which had its share of stimulating problems. Initially business was running at a record pace. By February the Chancellor, already fighting inflation, decided that bank overdraft facilities must be cut back, with consequent effect of course upon our essential bank and acceptance facilities.

The natural, but embarrassing consequence of this start of the "credit squeeze" was an upsurge in the demand for our facilities, at a time when we were already considering how best to restrain the initiative of our General Managers and Branch organisation. That difficulty remained with us throughout the rest of the year, and we acknowledge the diplomacy of our Branch Managers and the understanding of our Dealer friends and customers in the light of this situation.

It is pleasing to report that we nevertheless managed to achieve record figures in all sections of our financing business, including Agriculture, where we maintained our outstanding position. The strong ties with our Manufacturer and Dealer friends contributed materially to these results.

NEW HIRE-PURCHASE REGULATION

Although it appears that the "credit squeeze" is likely to be with us for some time, the Government changed the whole

complexion of our problem overnight on February 18, 1956, with the new Hire-Purchase (Control) Order No. 180. Your Company already enjoys the security afforded by substantial initial payments on its hire-purchase transactions, but the Order stipulates that one-half of the cash price must now be paid down.

The immediate effect upon Industrial Banking Companies is two-fold. First our resources will now finance a relatively greater number of cases, and though this involves more work without relative increase in profit, it is a measure of relief and a more acceptable challenge to our men in the field. Secondly, while at least in the short term it will put many potential customers off the market, on the longer term view, it is our opinion that the "credit squeeze" must eventually bring into our business a section of Industrial and Commercial customers who would normally have bought their goods for cash, but who are now becoming aware of the wisdom of preserving cash and credit facilities as essential working capital available for the shorter term need.

You may remember that the Report last year referred to the introduction of a Hire-Purchase (Control) Order, pointing out that it did not restrict the terms for Agricultural or Industrial machinery, or Commercial vehicles, and you will probably have noted that this new Order extends to all the goods which we finance.

In these circumstances it is tempting to criticise the Government, but we may rest assured that they are well aware of the effect restricting hire-purchase is likely to have on sales and on production. The Government have exhorted us all repeatedly to exercise a measure of restraint in our private and business lives, and it is now forced upon us in the national interest.

PIONEERS OF INDUSTRIAL BANKING

In the long history of your Company many crises, including two World Wars, have come and gone. This time we face a crisis of prosperity and we are justified in maintaining our optimism in the future.

Arising from the reference to our long history, it is relevant to remind you that The British Wagon Company Limited were pioneers of what is now becoming widely known as Industrial Banking. Our financing business was not an off-shoot of wagon building; indeed, we have never built wagons, but were formed expressly to finance rolling stock on hire-purchase or simple hire. We may with modesty claim to have taken an important part in the development of industrial Yorkshire in the early days, with an ever-widening influence in the country as our organisation has grown and the scope of our facilities has extended.

There is a good deal of publicity given these days to the Deposit Loan facilities of Industrial Bankers, and to many this may appear as a new development. Our Minute Books and early Accounts, however, record

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that in the days of Mr Disraeli and Mr Gladstone we were already providing Debenture and Deposit Loan facilities on what appear to have been attractive terms. The steady development of our Deposit Banking business in the face of advertising proves once again that "good wine needs no bush"—that stability is a more vital criterion than interest rate to the prudent investor.

SUBSIDIARY'S CONTINUED PROSPERITY

The hire-purchase restrictions, of course, do not affect the business of your Subsidiary, British Railway Traffic & Electric Company Limited, and the Oil Road Rollers branch at Birmingham. Both these concerns continue to prosper and the past year has seen a further increase in the roller fleet. We are glad to report that the demand for the services of these machines is still in excess of supply and the considerable arrears of public works, particularly the road programme, should ensure continued scope for the expansion of this business.

The increased business in 1955 and its associated problems which we have indicated were handled efficiently by the Executive and senior Staff, and we are sure you will wish to be associated with the Board in expressing our thanks to them and to all Staff for their continuing loyal service to the Company.

The Report and Accounts were unanimously adopted.

The appointment of Mr E. Watson Rodger as a Director of the Company was duly confirmed.

Mr C. F. Lawrence King and Mr C. E. Copley, the Directors retiring by rotation, were duly re-elected.

The Auditors, Messrs Joshua Wortley & Sons, were reappointed in accordance with Section 159 of the Companies Act, 1948.

TIMOTHY WHITES & TAYLORS LIMITED

NEW SALES RECORD

The twenty-seventh ordinary general meeting of Timothy Whites & Taylors Limited was held on April 19th in London, Mr George Ingham Rushion, MPS (Chairman and managing director), presiding.

The following is an extract from his circulated statement:

The sales for the year 1955 constitute a new record, and the dispensing figures also show an increase. The net profit for the year, including dividends from Subsidiaries, was £451,017, compared with £431,817 in 1954.

During the year eleven additional Branches have been established and a number of Branches have been enlarged and refitted. This policy of expanding the business of the Group is being continued and the results continue to be most encouraging. We are continuing the policy of closing uneconomic Branches and during the year 23 such Branches have been closed.

In the early part of 1956 the business of the Group continues to show the upward trend which has been experienced in the last few years, but if the policy of the Government to restrict spending is successful, it is certain to have some effect on retail trade as a whole.

The general increase in all types of expenditure continues and I do not consider that it is possible at this early stage in the year to forecast the 1956 results, but as far as can

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be foreseen your Directors consider that they should again be satisfactory.

The report was adopted and the total ordinary dividend of 30 per cent was approved.

BREVITT LIMITED

IMPROVED RESULTS

MR E. S. HARDING'S STATEMENT

The seventh annual general meeting of Brevitt Ltd., was held on April 17th at the Dorchester Hotel, Park Lane, London, W.1, Mr Edward S. Harding (the chairman) presiding.

Mr C. W. Johnson, ASAA (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: Ladies and gentlemen, in presenting to you the Accounts for the year ended December 31, 1955, I am pleased to be able to say there has been an improvement upon last year.

The Trading Profit at £78,826 (after deducting emoluments of Directors, Audit fees and expenses, Preference Share Redemption expenses and Depreciation) shows an increase of £22,195.

The position with regard to certain of the Company's Export Markets, to which I referred in my last Report, is that the measures taken by the Directors have led to a partial recovery, but this has been retarded by increases in the cost of production due mainly to wage increases, and this factor renders it problematical whether this market can be recovered to the full extent.

Other of the Company's Export Markets show a fair average year and the Home Trade has continued to expand.

The Net Profit of the Company after providing for taxation amounts to £49,242, and with £110,068 brought in from last year the balance available is £159,310.

RESERVE FUND

The Preference Dividend having been paid or provided for up to the end of the year, a sum of £1,050 has been placed to the Capital Redemption Reserve Fund as required by the Companies Act having regard to the purchase of Preference shares by the Company during the year by way of redemption, £6,000 has been placed to the Reserve for Preference Share Redemption and £2,500 to Replacements Reserve.

The Directors have recommended that the Dividend on the Ordinary Shares be retained at 17½ per cent.

I would like to add, turning to the Balance Sheet, that the increase in the value of the item "Freehold Land and Buildings" is largely due to considerable extensions to one of the Group's factories. The work has been completed and the extensions are in full use.

The Capital and Reserves of the Group now stand at £621,070, an increase of £25,365.

I take this opportunity of thanking the Management and Staff for their work during the past year.

The report and accounts were adopted and the dividend of 17½ per cent per annum, less tax, on the Ordinary shares was approved.

The retiring director, Mr T. Haddon, was re-elected and the other formal business having been duly transacted, the proceedings terminated.

THE BRUSH GROUP LIMITED

POSITION MAINTAINED DESPITE INCREASING COMPETITION

ENCOURAGING TREND OF WELL-SPREAD ORDER BOOK

The sixty-seventh annual general meeting of The Brush Group Limited will be held on May 17th at Abercorn Rooms, Liverpool Street, London, E.C.2.

The following is an extract from the statement by the Chairman, Sir Ronald W. Matthews, DL, MInstT, which has been circulated with the report and accounts:

The year ended December, 1955, was one in which we held our position in spite of increasing competition from abroad and sharply rising prices at home, coupled with severe dislocation through the dock strike. On an increased turnover in 1955 the gross trading profit before deduction of depreciation, taxation, and other charges at £2,431,228, is almost the same as the figure for 1954. The net profit before provision for taxes is £1,123,346 compared with a figure of £1,221,576 for 1954. The decrease in net profits is more than accounted for by the increase in interest charges. The net profit after tax for the year is £479,836 compared with £530,032 for 1954. After making adjustments arising from taxation provisions of previous years, and deducting the proportion of subsidiaries' profits attributable to outside shareholders' interests, the net profit attributable to The Brush Group Limited is £531,082 compared with £537,991 in 1954.

The Board recommends a final dividend of 7 per cent, making a total of 10 per cent for the year, a similar figure to that paid for 1954. The transfer to General Reserve is £300,000, and the Reserve now stands at a figure of £1,950,000.

The inflationary tendencies of the year 1955, in which we have had to face a considerable increase in the costs of labour, raw materials and supplies of components, are reflected in the figures disclosed in our Balance Sheet, both in regard to our current borrowings from our bankers and in regard to stocks and work-in-progress. Although in fact the stocks held at our factories at the end of the year are in volume estimated to be at least 8 per cent. below last year's figures, this reduction in quantity has been offset almost entirely by increased costs.

GROUP'S TRADING POSITION WELL MAINTAINED

Output has been well maintained in the Group and our order book has continued to show an encouraging trend. We have certainly maintained our position in the export market, though it has been necessary to offer extended credit facilities to many important customers, a tendency which is reflected in substantial increases both in the total of our debtors and in the advances which our bankers have made against acceptances. I wish here to pay tribute to the assistance we have received from our bankers in connection with the requirements of our export trade, and also to the help we have had, and continue to receive, from the Export Credits Guarantee Department of the Government.

At all our factories great efforts have been made to speed up deliveries and to improve our reputation for punctuality and for effi-

cient service to the customer. We have indeed received from overseas customers many complimentary references to our recent achievements in these directions, but our efforts have too often been prejudiced by shortage and delays in the delivery of supplies, particularly of steel and castings. Our output and our export achievement would have been even more satisfactory if our suppliers had been able to maintain the delivery dates which they had promised to us.

In many markets, and most particularly those of Asia and the Middle East, we are facing fierce and growing competition, particularly on price and delivery, not only from the countries of Western Europe, but from those of Eastern Europe in the sphere of Russian influence. A concerted effort, for which the utmost support of our suppliers is essential, is needed if the volume of our export trade is to be maintained.

It is, I hope, by now fully realised that the railway and dock strikes in the early summer of 1955 did considerable damage to the export trade of this country and to those whose livelihood so largely depends upon it. Inevitably, we had to suffer our share of the criticisms and resulting loss of business which were a consequence of those events, notwithstanding the great efforts which were made at all our factories to minimise the dislocation occasioned by these strikes.

Increases in costs have necessitated some price revisions, but we have resisted price increases in general so as to compete effectively with other manufacturers at home and abroad.

The Chairman then reviewed the Group's widespread manufacturing activities, comprising Brush Electrical Engineering Company Limited and Brush Traction Limited, Loughborough; Petters Limited and Bryce Berger Limited, Staines; J. & H. McLaren Limited, Leeds; The National Gas and Oil Engine Company, Limited, Ashton-under-Lyne; Mirreles, Bickerton & Day, Limited, Stockport; Vivian Diesels and Munitions Limited, Vancouver, and Petter McLaren Service Limited, Burton-on-the-Wolds.

IMPORTANCE OF GOOD INDUSTRIAL RELATIONS

Sir Ronald commented that the Board of The Brush Group had always regarded the maintenance of good industrial relations as a matter of the highest importance.

Sir Ronald continued: We have a good, well-spread order book, a keen and experienced management and a well-led and co-operative labour force. But we are to a large extent at the mercy of economic forces which are outside our control, and as costs of production rise with the inevitable increase in selling prices, we run grave risks of losing the export markets on which the livelihood of all of us depends. Only if increased wages are married to increased production, so that the cost of the product remains reasonably stable, can we count on maintaining our proper and necessary share of foreign business.

A full copy of the Chairman's statement is available on request to the company, Duke's Court, St. James's, S.W.1.

"MONTECATINI" SOCIETA' GENERALE PER L'INDUSTRIA MINERARIA E CHIMICA

MILAN, ITALY

STATEMENT BY
ING. GIUSEPPE MAZZINI

The Annual General Meeting of Montecatini was held in Milan on March 29th under the Chairmanship of Ing. Giuseppe Mazzini, and the following are details of the report presented by the Board of Directors:

The report outlines the Company's contribution to Italy's economic progress during 1955, a progress reflected by a rise in the national income, increased consumption, greater investment, and more employment. It goes on to emphasise the need for stepping up the pace of industrialisation in Southern Italy, the country's depressed area, with a view to creating new and lasting sources of wealth. It is with this purpose in mind that Società Montecatini has made, and continues to make, a solid contribution to Italy's economic advance.

In setting out the results achieved during the year in the various sectors covered by the Company, the report underlines the rise in the production of pyrites, bauxite, pitch blende, galena, aluminium, lead and zinc, and of electric power with an output of 2,600 million kWh out of a total Italian production of 37,300 million kWh.

The search for liquid and gaseous hydrocarbons was intensified, until the bill now being discussed by the Italian parliament becomes law and makes it possible to begin extraction.

Developments in the chemical industry seemed satisfactory, especially in those branches which are traditionally the concern of Montecatini: sulphuric acid (1955 output, 1,290,000 tons); phosphatic manures (1955 output, 1,380,000 tons); nitrogen (output, 201,500 tons for fertilisers alone, quite apart from production for industrial use); chemicals for industry; fungicides; insecticides; lacquers and pharmaceutical products. Moreover, a number of new plants in various parts of Italy, for the production of compound fertilisers, were taken into service during the year.

Plastics production showed a distinct increase, with particular importance attaching to "Fertene," "Rotene," "Viola," and the new fibre, "Movil." The output of super-

polyamide fibres showed a rise and production began of a new synthetic fibre, "Terital."

Montecatini was outstandingly successful, too, in building plants outside Italy for other companies; in the course of 1955 orders were secured for 43 plants in 12 different countries.

The Company's labour force expanded further during the year. Expenditure on wages and salaries rose from Lit. 39,400 million in 1954 to Lit. 41,200 million in 1955.

The balance sheet closed on December 31, 1955, with a net profit of Lit. 10,178,846,649, as against Lit. 8,640,669,225 for 1954. It was accordingly proposed to distribute a dividend of Lit. 115 per share of Lit. 1,000 nominal value, equivalent to Lit. 9,660 million, and payable from April 3rd at all the main Italian banking institutions. The Company's capital now amounts to Lit. 84,000 million.

The report and the proposals put forward by the Board were adopted.

At a Board meeting after the Annual General Meeting, in accordance with the wish of Ing. Giuseppe Mazzini to be relieved of the burden he had borne since 1948 as President of Montecatini, Dr Carlo Faiva, who continues as Managing Director of the Company, was appointed President by unanimous consent.

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THE HOFFMANN MANUFACTURING COMPANY

IMPROVED ORDER INTAKE
MAINTAINEDMR J. W. GARTON ON THE
OUTLOOK

The annual general meeting of The Hoffmann Manufacturing Company, Limited, was held on April 26th in London, Mr J. W. Garton, JP (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement:

The profit of the Hoffmann Group for 1955 before taxation, but after all other charges, amounts to £1,079,802 and compares with £1,055,785 for the previous year. Income Tax and Profits Tax absorb £543,114 in 1955 against £546,505 in 1954. The net profit of the Group for the year 1955 after taxation is, therefore, £536,688 and compares with £509,280 for 1954.

The marked improvement in the order intake, which I mentioned in my Speech last year, continued throughout 1955 and together with the continuing drive to modernise plant and improve methods has produced this satisfying result.

The Directors recommend a Final Dividend of 5½d. per share (free of tax), which with the Interim Dividend of 1½d. per share (free of tax) will bring the cost of the distribution to £116,667 (free of tax) for 1955.

For some years past I have referred to the Group Capital equipment programme, which included a Research and Development centre. This capital equipment programme has been financed, and will continue to be, from the internal resources of the Group.

Balance Sheet: The liquid resources at the end of the year totalled £2,342,183 which compares with £2,319,875 at December 31, 1954.

Debtors have increased at December 31, 1955, by £129,090 and now total £1,188,125.

The excess of Current Assets over Current Liabilities now amounts to £3,103,150 compared with £2,994,032 last year.

Hoffmann Gloucester Limited continues to make a valuable contribution to the Group turnover and has had another successful year.

Hoffmann Tweedales Limited, in which Hoffmann Gloucester Limited has a fifty per cent holding, had a better year in 1955, but towards the end of that year its manufacturing programme had to be substantially decreased due to reduced demand in the Textile Machinery trade. Whilst the position has slightly improved in recent months, the future is somewhat uncertain.

You will no doubt expect me to give you some idea of the future prospects of the Company and particularly as we are large suppliers to the motor and ancillary industries. At the present time we have a very good order book, but based on reports that have been received over the last few weeks, we expect that there will be some slowing down in demand. On the other hand the labour situation was difficult last year and a considerable amount of overtime was worked which, after a period, results in wear and tear on both men and machines and a tendency to a fall in production. Although there are many difficulties in front of us at the present time, I have every confidence that your Company will secure a fair share of the bearing business of the country.

The report and accounts were adopted.

THE LONDON AND LANCASHIRE INSURANCE COMPANY LIMITED

THE HONOURABLE R. M. PRESTON'S
REVIEW

The annual general meeting of The London and Lancashire Insurance Company Limited will be held on May 16th at 7 Chancery Lane, London, W.C.

The Chairman, The Honourable R. M. Preston, DSO, has issued a Statement to Stockholders, from which the following has been taken:

The total premium income had increased by over a million pounds and the profit, although not so good as usual, was not unsatisfactory.

The aggregate net premium income figures for all departments for 1955 amounted to £29,200,230 as compared with £27,822,154, an increase of £1,378,076. Profit emerged at £804,602, or 2.76 per cent against £1,011,878, or 3.64 per cent of premiums.

Fire Department.—Premiums amounted to £11,545,717 as against £11,200,402. The profit was £425,325, or 3.68 per cent as compared with £293,362, or 2.62 per cent.

Accident Department.—Premiums amounted to £13,770,347 as against £12,662,809, but there was an underwriting loss of £120,723, or 0.88 per cent, as against a profit of £218,516, or 1.73 per cent.

Marine Department.—Premium income—current year—1955 £3,884,166 against 1954 £3,958,943. Profit transferred to Profit and Loss Account £500,000.

The Balance of underwriting funds for all years amounted to £5,235,774 against £5,573,250.

Life Assurance Account.—Net new sums assured, excluding Annuity business and Group Life Insurance, showed an increase at £6,809,876.

The net interest receipts and shareholders' proportion of life profits amounted in all in 1955 to £928,787, a welcome improvement notwithstanding the substantial transfer of assets to the trustees staff pension fund in 1954 and 1955. The saving of income tax resulting from the reduction in the standard rate from 9s. to 8s. 6d. a year ago had contributed to this satisfactory outcome.

The results of the year's operations might again have justified a modest increase in the dividend but the Directors, he stated, favoured restraint at the present time having regard to economic conditions.

The continuing rise in price levels gave cause for serious anxiety and the necessity for a greater volume of national saving could not be overemphasised. Insurance is one of the recognised channels of saving, more particularly through the Life Departments.

The rise in money rates during the year with a concomitant fall in the value of fixed interest securities in particular, had, of course, had a considerable effect upon the margin in the market value of those investments over and above their balance-sheet values. There was in the year, however, an appreciation on the ordinary share market here and in the United States, where a substantial part of the funds is invested, and after taking that rise into account there was left at the end of the year a still very substantial margin above balance-sheet values.

The Chairman stated that he could not conclude the review without paying a sincere and well deserved tribute to the Executive and Staffs.

UPSON'S LIMITED THE DOLCIS SHOE COMPANY

ANOTHER SUCCESSFUL YEAR

The thirty-sixth annual general meeting of Upson's Limited, was held on April 19th in London.

Mr F. J. Stratton, CBE, chairman and managing director, in the course of his speech, said: Our company has once more enjoyed a successful year's trading. The profits have increased by £70,463. This does not reflect fully the progress which has been made during the year because we have maintained keenly competitive prices for our products by absorbing higher costs instead of passing them on to the public. Our efforts in this direction have been rewarded by a healthy addition to unit sales in the United Kingdom and we have succeeded also in increasing our export business by more than 20 per cent. A large proportion of this trade is dollar and hard currency earning.

INCREASED HOME SALES

So far as our trading at home is concerned our substantially higher financial turnover arising both from increased sales and the opening of new stores has required an increased investment in stock which has enabled us to give a wider selection and greater service to our customers. We have been successful not only in our Dolcis Shoe Stores but also in the Dolores Underwear Group and the Stratford Court Hotel—to stockholders perhaps a less known part of our organisation—has contributed a greater share of profit and dollar earning for it is very popular with our American friends.

The imposition of purchase tax on all shoes except children's together with wage increases coincided with increases in the price of leather and most other components sufficiently to unbalance established price ranges. It needs both flexibility and close co-operation between suppliers and ourselves to cope with such problems.

We are convinced that the answer is not to de-grade but to give the public more value—more fashion, colour, selection, comfort and service. Never have we been in a better position to make use of our contacts in North America and on the Continent of Europe for the benefit of our customers and the stimulation of the foot-wear industry.

CURRENT TRENDS

You will wish me to offer some forecast of the possible trends likely to affect our results in the current year. I must say at once that operating expenses of all kinds continue to mount at an alarming rate. The cost of building, fuel and transport, increases in wages for manufacturing and distributive staffs, and higher interest rates coupled with the latest unfair discrimination against retailers resulting from the revaluation of their shops for rating purposes have brought into our budget for 1956/1957 the prospect of truly formidable additional expenditure most of which can be offset only by increased gross profit.

We shall endeavour to solve this problem by obtaining additional business and not by raising prices. However, we meet this challenge with our stocks in excellent order and the enthusiasm and efficiency of our staff well maintained. We are proceeding with a courageous programme of expansion and improvement and I have no doubt that we shall give a very good account of ourselves.

The report was adopted, and the name of the company was changed to Dolcis Limited.

MEETING OF BANCO DI ROMA

On the 4th April, 1956, under the Chairmanship of H.E. Professor Costantino Bresciani-Turroni, was held the meeting of the Shareholders of Banco di Roma, which, after hearing the reports of the Board of Directors and of the Auditors, approved the Balance Sheet at 31st December, 1955, the Profit and Loss Account and the allocation of the profits of the year.

These profits, which after provision for adequate appropriations and sinking funds, show an amount of Lit. 820 million 79,550, with an increase of over 147 million on the corresponding figure of 1954, allowed to rise to 9 per cent., from the precedent 7 per cent, the dividend to be distributed to the Shareholders, and to allocate Lit. 750 million to the Reserve which so rises up to Lit. 2 billion and 750 million.

The report of the Board of Directors, after having examined in a panoramic view the economic situation of the Western World in 1955 and particularly, in its various aspects, the one of this country, illustrates the most significant data of the activity displayed and of the progress achieved by the Institution during the year.

Thanks to the further increase of the means, which at the 31st December, 1955, amounted to more than 510 billion lire, it was possible to raise the level of the investments which amount to more than 342 billion, to increase adequately the investments in Government securities and to strengthen the liquidity funds by almost 20 billion on the figure at the end of 1954.

The larger volume of operations that the Bank had to cope with in all fields is reflected in the grand total of the items of the Balance Sheet which surpassed the amount of 1,000 billion lire.

The Meeting reconfirmed all the Directors who were retiring owing to completion of three years office. The Board of Directors, having soon after proceeded to the appointment of their charges, re-elected: Chairman: H.E. Prof. Costantino Bresciani-Turroni; Vice-Chairman: Baron Prof. Francesco Mario Oddasso; Managing Director: Gr. Uff. Ugo Foscolo.

BALANCE SHEET AT 31st DECEMBER, 1955

ASSETS		LIABILITIES	
Cash and Funds with Central Bank and Treasury	L. 89,329,253,140	Share Capital	L. 1,000,000,000
Funds with other Banks in Italy and Abroad	" 51,920,475,389	Reserve Fund	" 2,000,000,000
Ordinary Treasury Bills, Government Government-guaranteed and other Bonds	" 91,716,261,136	Savings Accounts	" 160,557,080,328
Industrial and other Shares	" 737,707,769	Current and Sundry Accounts	" 349,637,637,981
Portfolio	" 133,576,097,192	Circular Cheques	" 17,090,313,738
Contingencies	" 18,377,657,706	Ordinary Cheques	" 724,580,873
Secured advances	" 29,396,203,595	Bills for Collection	" 27,774,875,912
Loans, Advances and other Accounts	" 161,041,348,223	Sundry Creditors	" 17,507,248,198
Sundry Debtors	" 1,876,154,436	Commercial Acceptances and Openings of documentary credits	" 33,541,579,431
Liabilities of Customers for Commercial Acceptances and Openings of Documentary Credits	" 33,541,579,431	Guarantees for Third Parties	" 26,985,136,049
Liabilities of Customers for Guarantees	" 26,985,336,049	Rebate on Portfolio and on Treasury Bills	" 2,814,959,822
Banking Participations	" 1,524,510,412	Balance of Profits Brought Forward	" 46,774,110
Bank Premises	" 497,871,513	Net Profits for current year	" 820,079,550
Furniture and Fittings	" 1		
	L. 640,520,465,992		L. 640,520,465,992
Contra Accounts		Contra Accounts	
Securities:		Depositors of securities for guarantees	L. 64,473,397,921
As collateral	L. 64,447,312,658	Sundry securities accounts	" 295,631,829,163
As guarantee	" 26,085,263		
Sundry securities accounts	" 295,631,829,163		
	L. 1,000,625,693,076		L. 1,000,625,693,076

Chairman: Bresciani-Turroni. Managing Director: Foscolo. Chief Accountant: Nazareth.

Auditors: Matteucci (Chief Auditor), Bossi, Foschini, Mazzantini, Obber.

The dividend of Lit. 9 per share is payable, from the 5th April, 1956, at all the branches of Banco di Roma in Italy.

INTERNATIONAL NICKEL COMPANY OF CANADA LIMITED

MOST SUCCESSFUL YEAR IN HISTORY

The annual meeting of this company was held on April 25th in Toronto.

Dr John F. Thompson, the chairman, in the course of his address, said: The year 1955 marked the fiftieth anniversary of Canada's leadership in world nickel production. The combined total deliveries of this important metal by all Canadian producers were at a record high estimated at 357 million pounds, or somewhat over 80 per cent of the free world supplies.

In 1955, International Nickel enjoyed the most successful year in its history, with high deliveries of the company's two principal products—nickel and copper—and increased output of most of the other elements obtained from its ores. Net earnings and common dividend payments exceeded those of any previous year.

Net earnings of \$91,566,000 in 1955 were \$26,271,000 higher than the previous peak established in 1954. The largest single contributing factor in this substantial increase was the high price prevailing for copper, the company's second most important product, deliveries of which were at a post-war high. Also contributing to the increased earnings were record nickel deliveries, the higher price for refined nickel prevailing since November, 1954, and greater deliveries of such by-products as platinum metals and cobalt.

Reflecting the growing necessity of employing increasingly larger amounts of money in conducting a business, our capital expenditures in 1955 exceeded those of any previous year. Expenditures of \$26,894,000, compare with total expenditures in 1954 of \$22,257,000 and the previous high of \$23,737,000 in 1951.

Distribution of our nickel in 1955 was again guided by the principle that adequate supplies must be made available to meet defence production requirements and Government stockpile commitments, and that civilian customers must receive fair and equitable treatment.

OTHER PRODUCTS

Deliveries of refined copper amounted to 263 million pounds, a postwar high and an increase of almost 10 million pounds over 1954. Primary copper sold at new high prices. Deliveries of platinum metals set a new high record at 445,000 ounces, a gain of 182,000 ounces over 1954. Palladium demand increased substantially. Cobalt deliveries of 1,637,000 pounds set a new high record.

Other by-products include gold, silver, selenium and tellurium. The company's smelters and refineries again operated at capacity throughout 1955.

For our consumers, the future of nickel supply is a vital question. It is an almost impossible question to answer with assurance, since many conflicting factors play such a vital part. However, the facts that free world nickel production would probably increase, and that purchasing for stockpile may be moderated, suggest that there should be more nickel available for industry in 1956 and even more in 1957. All indications are that again in 1956 the company will make an excellent showing.

The report and accounts were adopted.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

THE BUDGET

MR W. MACFARLANE GRAY'S VIEWS

The Fifty-first Annual General Meeting of The Association of Certified and Corporate Accountants was held in London on April 24th. Mr W. Macfarlane Gray, FACC, President of the Association, was in the chair. In the course of his address, he said:

The Budget proposals contain few concessions. They were not expected to and it has for some time been quite plain from the Chancellor's declared policy and from the several steps he had taken prior to the Budget that he could not hope to give very much away. But there will be wide and genuinely felt satisfaction at the decision to implement the recommendations of the Millard Tucker Report relating to retirement benefits for self-employed persons. Many outside commentators have said that this is no more than an act of common justice. But it need not in any way diminish our appreciation of the Chancellor's action in giving much-needed relief to the heavy burden borne by a greatly harassed, but still valiant, section of the community and providing them with adequate security. Moreover, the implementation of these provisions will assist the savings campaign and the steps to halt inflation.

It is commonplace to say that during the past few years expenditure of capital has run ahead of savings and that there is an urgent need to increase the flow of savings and to make the current rate of investment consistent with the requirements of industry and trade. The Chancellor has certainly made a determined onslaught on this problem and in so doing has sought to combine orthodox financial measures with psychological tactics.

The Chancellor's undertaking with regard to government expenditure will also be most welcome. For a long time now two of the country's main economic weaknesses have been low savings and excessive government spending, and there has been no lack of critics—both within the accountancy profession and outside it—with regard to the latter. It remains to be seen what fruit Mr Macmillan's resolve will bear and I hope he will not neglect an extremely important aspect of the matter—namely, that of keeping the public fully informed of what economies are, in fact, effected.

The key to greater productivity is incentive, and it is here, unfortunately, that the Budget notably fails—not only in relation to the executives and advisers of industry, but towards industry itself. A further increase has been made to the already excessively punitive rate of profits tax. This is a further setback to industry, following on the substitution of initial allowances for investment allowances contained in the autumn Budget and, coupled with the restrictive attitude to be adopted by the Capital Issues Committee to new issues, will hold up expansion plans. The profits tax is a penalty on enterprise. For the privilege of placing £100 to reserves, a company now has to pay something like £84 in income tax and profits tax. Profits must therefore be allowed to achieve a realistic level if they are to take care of replacement and improvement of plant. Otherwise there will be a steady decline in our ability to compete in world markets.

GEORGE BRETTE & COMPANY, LIMITED

VERY SATISFACTORY TRADING

HOME TRADE MAINTAINED

SIR HARRY TWYFORD'S STATEMENT

The forty-second annual ordinary general meeting of George Brett & Company, Limited, was held on April 20th at the registered office, Chapel Street, Belper, Sir Harry E. A. Twyford, KBE, chairman and managing director, presiding.

The secretary (Mr H. O. Randall), 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 January 19, 1956:

It is again my pleasure to be able to report a very satisfactory year's trading. The home trade notwithstanding a drop of 7 per cent in prices, was the same as the previous year, which, as I have already told you, was a record for the company.

EXPORT TRADE DIFFICULTIES

There was a considerable drop in the export trade, which was entirely due to our main markets, such as Australia, New Zealand and South Africa, banning imports by restricting licences.

In my statement last year I said that it was not easy to forecast the results for the current year owing to the unsettled international state of affairs and the imminence of a general election. I said, however, that I felt justified in looking forward to a continuance of good trading. In spite of the difficulties referred to, together with the period of restraint from February to July and the credit squeeze which has since taken place, I think you will agree that my optimism was justified.

DIVIDEND MAINTAINED

The profits for the year amount to £176,591, which, together with a provision for taxation not now required of £6,000 and the balance brought forward from last account—£80,102—leaves £262,693 to be appropriated. The directors recommend a final dividend of 16 per cent which, with the interim dividend of 4 per cent already paid, makes a total distribution for the year of 20 per cent, which is the same as for the previous year. Taxation calls for £89,100 against £94,750 last year.

It is also proposed to transfer £40,000 to General Reserve, bringing this reserve to £230,000. It has also been decided to provide £9,147 for special depreciation over and above the usual provision, as machinery becomes obsolete so quickly that it is advisable to write the machines off the books earlier in order to be able to replace with more modern machinery as and when required.

NEW MACHINERY

It will be seen, therefore, that the additions to plant and machinery amount to £106,500 which is mainly due to the completion of the uncompleted contracts referred to in last year's balance sheet, and after depreciation this item is only increased by £44,200.

Whilst on the subject of new machinery I may state that in the last five years we have

spent over £500,000 on new machinery, and it is very satisfactory to be able to report that this has been financed entirely from income.

Stock-in-trade is shown as £366,672, which is a reduction of some £600 as compared with last year. The directors are of the opinion that the stock is in good condition and the amount is necessary for the volume of trade done.

EXCESS OF ASSETS

The current assets exceed the current liabilities by a sum of £382,970, which is a very similar figure to that for last year, in spite of the addition to machinery and plant of over £100,000 which has been referred to earlier in these notes.

Following our usual custom, the sum of £13,343 has been allocated for staff profit-sharing and, in addition to this, all pay for

staff on fixed incomes was increased by 12½ per cent during the year at a cost of £5,000.

It would take a bold man in these uncertain days to forecast what trade is likely to be during 1956, but I am pleased to say that at the present time our order books are well in advance of what they were last year.

ALLOCATION OF £1 OF INCOME

For the interest of shareholders I append details showing how each £1 of the company's income has been expended:

	s. d.	%
Raw materials and manufactured goods	14 5½	72.18
Salaries, wages, pensions and welfare	3 1	15.50
	17 6½	87.68

Taxation	7½	3.09
New machinery and plant, equipment, etc.	10	4.11
Depreciation, all other services and expenses	5½	2.38
Reserves retained in the business	3½	1.39
Shareholders' dividends ..	3½	1.35
	£1 0 0	100.00

In conclusion I am sure it would be your wish that I should express your and our thanks to every official and member of our staff for the loyal and able service they have rendered to the company.

The report and accounts were adopted; the proposed dividend was approved; the retiring director, Mr Walter Bennett, was re-elected and the remuneration of the auditors, Messrs Josolyne, Miles & Company, was fixed.

APPOINTMENTS

THE UNIVERSITY OF MANCHESTER RESEARCH FELLOWSHIP IN ECONOMIC SCIENCES

Two are invited for the above Fellowship, one for one year with a possible extension to two years. The Fellowship is of a value within the range £200-£250 per annum, together with approved expenses involved in the research. Applications governing the award of the Fellowship and application forms may be obtained from the Registrar, The University, Manchester 13, to whom all applications should be sent, not later than May 12, 1956.

THE Co-operative Wholesale Society Limited invites applications from proved leaders of Organisation and Methods teams for the position of Head of an O. & M. Department soon to be commenced at the Headquarters of the Society in Manchester. The inception of such a department, recruitment of supporting personnel, training, and direction of assignments will require to be undertaken by the successful applicant. The position is an important one and a commensurate salary will be paid. Intending candidates should write for an application form to the Secretary and Executive Officer, Co-operative Wholesale Society Limited, 11, Broad Street, Manchester 2.

MARKET RESEARCH. Due to expansion of its activities, the Market Research Department of a nationally known manufacturer of consumer goods has a vacancy for a Research Officer experienced in the handling of all phases of consumer surveys and in report writing. This is a senior post carrying a salary commensurate with the importance of the position. Write in first place, giving details of experience, etc., and enclosing references in the strictest confidence, and should be addressed to Box 386.

AN Economist with statistical experience is required to work on industrial trends and their effects in the national and commercial spheres. Apply to the Assistant Director of Training, Investments Ltd., Broadwell Road, Oldbury, Nr Birmingham.

WORKS DIRECTOR, with seat on Board, required for large Cable Works in the London area. He will be responsible for all production and manufacturing functions; there required a well educated person with a minimum of four years' experience in the cable industry with practical experience in modern production techniques and with achievement in works management. Age 35-50. Replies to Production-Engineering Ltd., 12 Grosvenor Place, London, S.W.1.

BRITISH Cellophane Limited requires two young male graduates in Economics (with statistics) to fill vacancies in its Market Research Department at its London office. To conduct trade surveys which may involve some travelling into the current and future market potential for the Company's products and into factors influencing that potential. Ref. No. S.40T.

With the analysis of internal and external statistics, and with general economic investigations. Ref. No. S.41T. In both cases, an ability to analyse large amounts of material and to prepare clear and concise reports is required. Whilst these posts can be filled in the near future, applications are invited from individuals who are likely to become available within the next few months, including those who are studying this year. Please reply, giving full details, including salary required, to Personnel Officer, British Cellophane Limited, 11, Broad Street, Somerset, and quote appropriate reference number.

ARTERED COMPANY SECRETARY, preferably qualified Accountant, required by new carpet manufacturing company in the West Riding of Yorkshire. This appointment requires an energetic, ambitious and well-educated man, within the age limits of 30-40 years. He must be fully experienced in all industrial, financial and accounting practices, including budgetary control, standard costing systems, and production and sales control. Assistance with housing requirements will be made available. A top salary, commensurate with qualifications and experience, will be paid. Applications will be treated in the strictest confidence. Write, giving all details of experience, to Box 388.

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India & Ceylon: £6.
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UNIVERSITY OF HONG KONG

Applications are invited for the vacant post of LECTURER IN ECONOMICS. Annual salary (superannuable): £1,575 x £50—£2,175 (man) or £1,200 x £40—£1,680 (woman), together with an expatriation allowance of £225 if applicable. The equivalent of income tax in the Colony is comparatively low.

Applicants should have suitable qualifications, including teaching experience, in (a) Economic History and (b) Applied Economics, preferably, in both cases, with special reference to Eastern Asia. It is hoped that the successful candidate may be able to take up duties in September, 1956.

First-class sea passages are provided for expatriate staff and their families on first appointment and leave. 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 Hong Kong and London, is June 15, 1956.

NATIONAL Industrial Organisation has a vacancy for Secretary in Provincial Branch which is capable of considerable expansion under energetic direction. Commercial or industrial experience desirable. Age range 32-48. Apply Box 406.

MARKET RESEARCH. A number of appointments are to be made in the expanding Consumer and Retail Research Unit of a large industrial company in the Province. The work is in a new and interesting field and there will be opportunities to contribute to all aspects of it. Essential requirements are a good academic background in Economics or Sociology and wide experience of consumer research methods in an agency or in industry. Starting salaries will be assessed in each case on qualifications and experience offered. In certain circumstances, a house to rent will be available locally. Applications should be as detailed as possible and they will be treated in the strictest confidence. Box 402.

SENIOR VACANCY in Commercial Department of expanding Birmingham Tube fittings manufacturer (introducing purchasing, material control, sales statistics) work and some exporting. Knowledge of German useful. High degrees of intelligence, adaptability and some mathematical ability more important than trade experience. Good salary, conditions and prospects. Box 372.

SHIPPING EXECUTIVE, Indian National with long and varied experience of five shipping acquired in U.K. and India, presently employed in managerial position in large shipping concern in India, desires more responsible position. Butcher and other Foreign concerns required well educated experienced Indian cadre for the same. Good salary, conditions and prospects. Box 376.

RETIRED BLISS EXECUTIVE—Swiss—wishes to represent London Commodity House—selling/buying. Switzerland and Continent.—Box 376.

THE CUNARD STEAM-SHIP COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that the Seventy-ninth Annual General Meeting of The Cunard Steam-Ship Company Limited will be held in Cunard Buildings (Fifth Floor), Pier Head, Liverpool, on Wednesday, May 16, 1956, at eleven o'clock a.m.

(1) To receive and consider the Statement of Accounts for the year ended December 31, 1955, with the Reports of the Directors and Auditors.
(2) To sanction the declaration of final dividend for the year 1955.
(3) To elect Directors in place of those retiring but who, being eligible, offer themselves for re-election. In accordance with the provisions of the Companies Act 1948, special notice has been received of the intention to move at the above Meeting a resolution for the re-election as a Director of the Company of Mr F. A. Bates who at the date of the Meeting will be aged 71 years and who retires by rotation and offers himself for re-election.
(4) To confirm re-appointment of Auditors and to fix their remuneration.

By Order of the Board,
J. C. TOMLINSON, Secretary.
Offices—Cunard Buildings, Liverpool. April 21, 1956.
Note—A Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a Member.

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A course for men in this function who may be required to overhaul existing schemes.

Course No. 73 May 28th to June 15th (three weeks)
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An appreciation course for management and work study technicians.

Course No. 74 June 11th to June 29th (three weeks)
"EXECUTIVE DEVELOPMENT"

A management course on the problems of control and co-ordination.

Course No. 75 June 18th to June 29th (two weeks)
"SUPERVISORY MANAGEMENT"

A course to assist "middle management" in their day-to-day work. Inclusive fee for tuition and residence, £12 12s. per week.

The one-semester Works Management course and the winter term Work Study course will commence on October 1, 1956.

Applications should be made to The Residential Centre for Management Studies, "Chesters," Beardsden, Glasgow.

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THE ROYAL BANK OF CANADA

DIVIDEND No. 275
Notice is hereby given that a DIVIDEND of 45 cents per share upon the paid-up capital stock of this Bank has been declared for the current quarter and will be PAYABLE at the Bank and its branches on and after June 1, 1956, to shareholders of record at the close of business on April 30, 1956.

By Order of the Board,
K. M. SEDGEWICK, General Manager
April 18, 1956.

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Africa: £21.50 or £7.14s.	Gibraltar, Malta: £3.15s.	Israel: £6.		Nigeria, Gold Coast: £5.5s.	Sudan: £5.10s.
Asia: £5.5s.	Hongkong: £7.	Japan: £6.		Pakistan: £6.	Union of S. Africa: £5.10s.
	India & Ceylon: £6.	Malaya: £6.15s.		Rhodesia (N. & S.): £5.10s.	U.S.A.: \$20.50 or £7.14s.

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AT CHAPELCROSS, Annan, Dumfriesshire, where work is beginning on Britain's biggest atomic power station, the Mitchell Construction Company is undertaking a £3,500,000 civil engineering contract.

AT CAPENHURST, near Chester, where work at the Authority's diffusion plant is in progress, the same Company is building six cooling towers. Here, also, Mitchell Engineering Limited has been awarded a substantial contract for piping and plant installation.

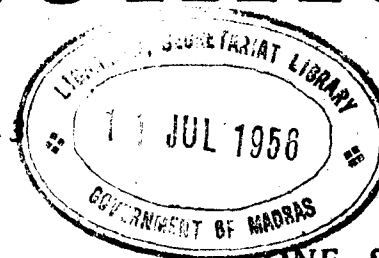
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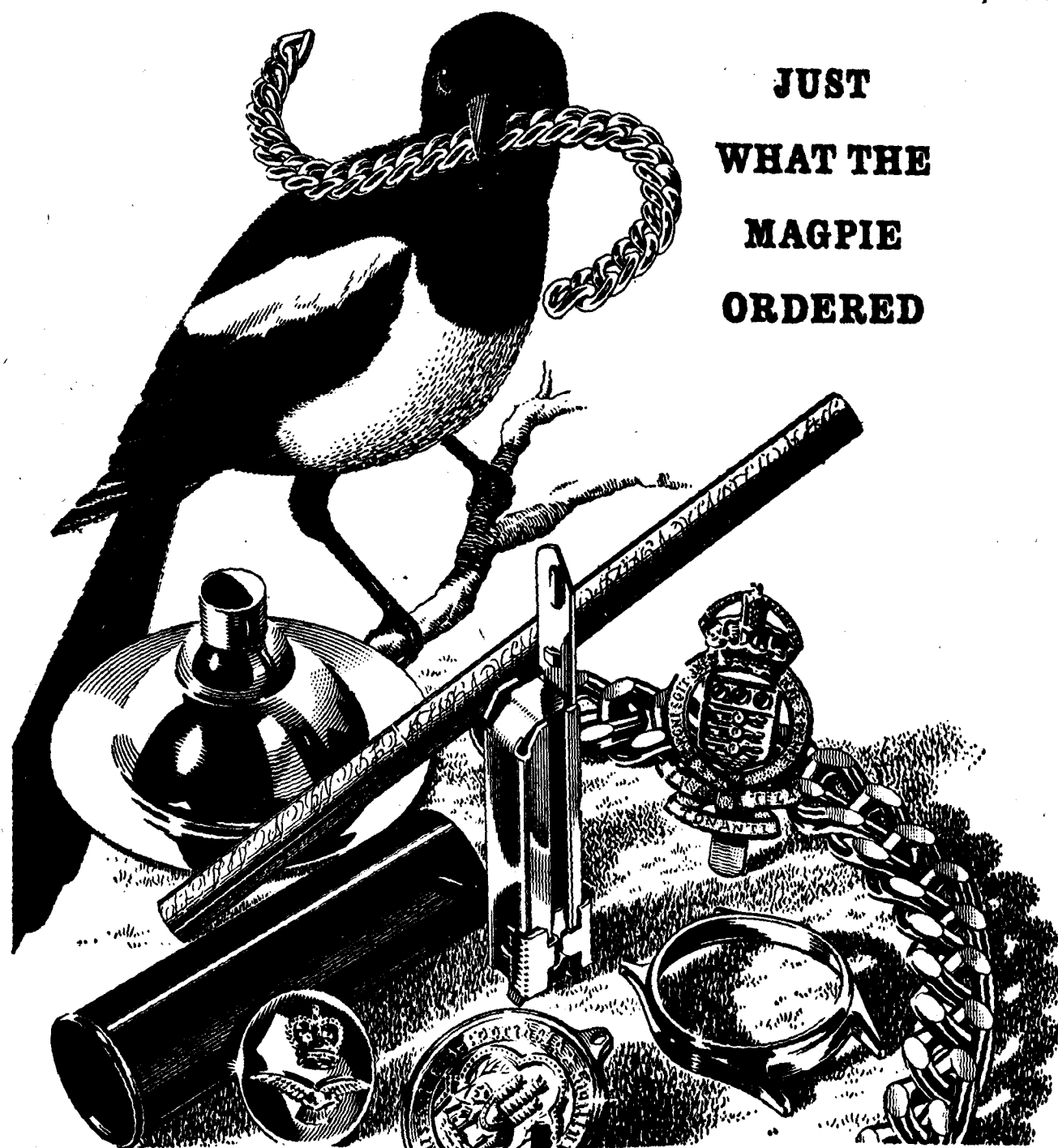
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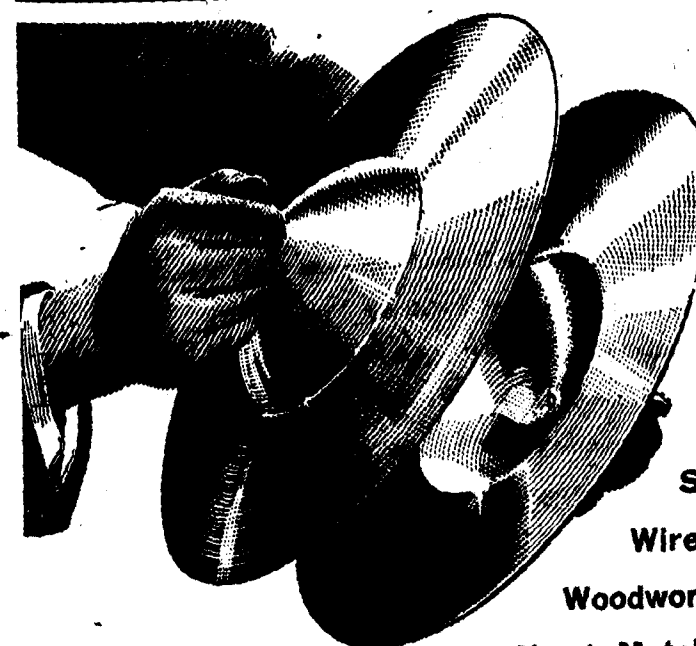
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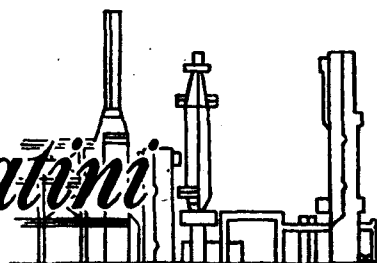
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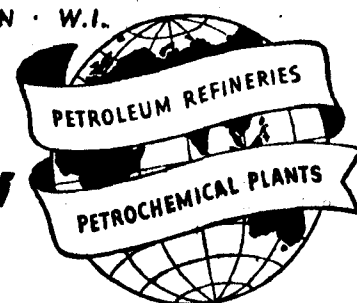
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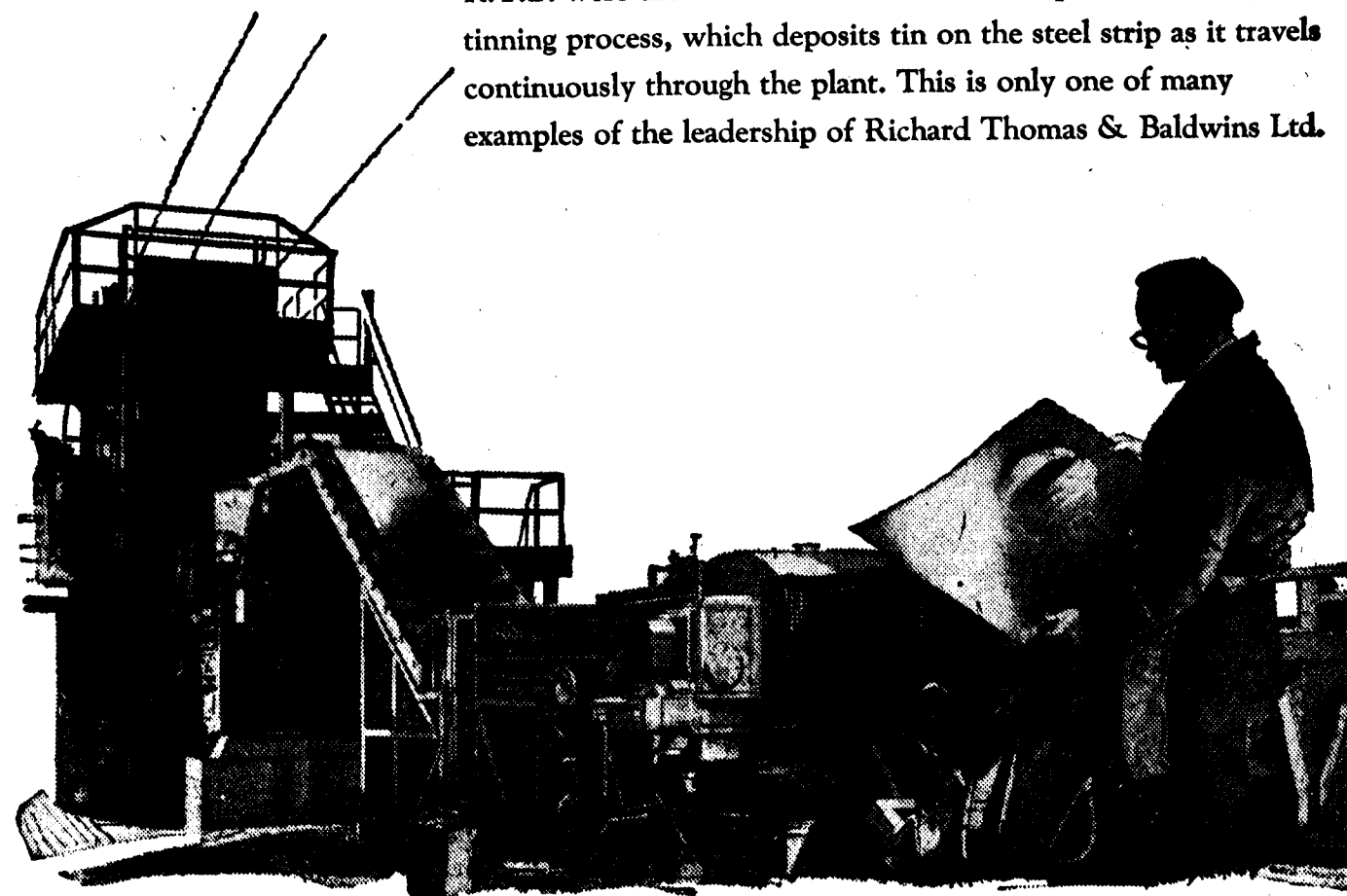
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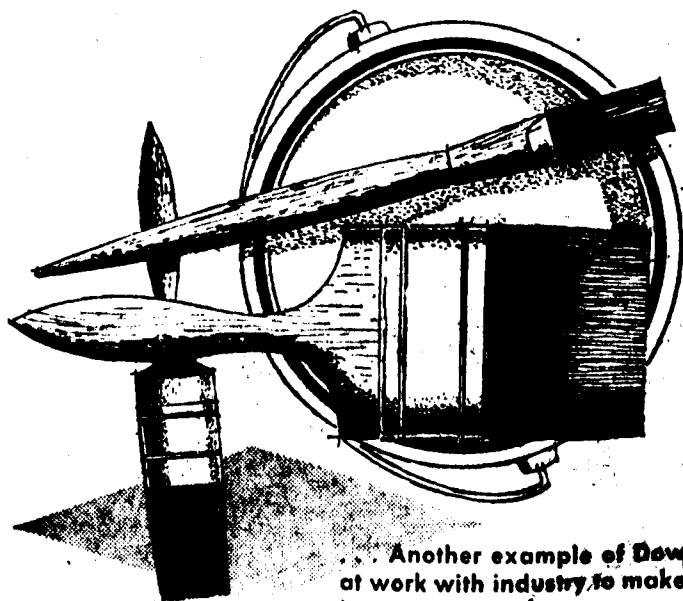
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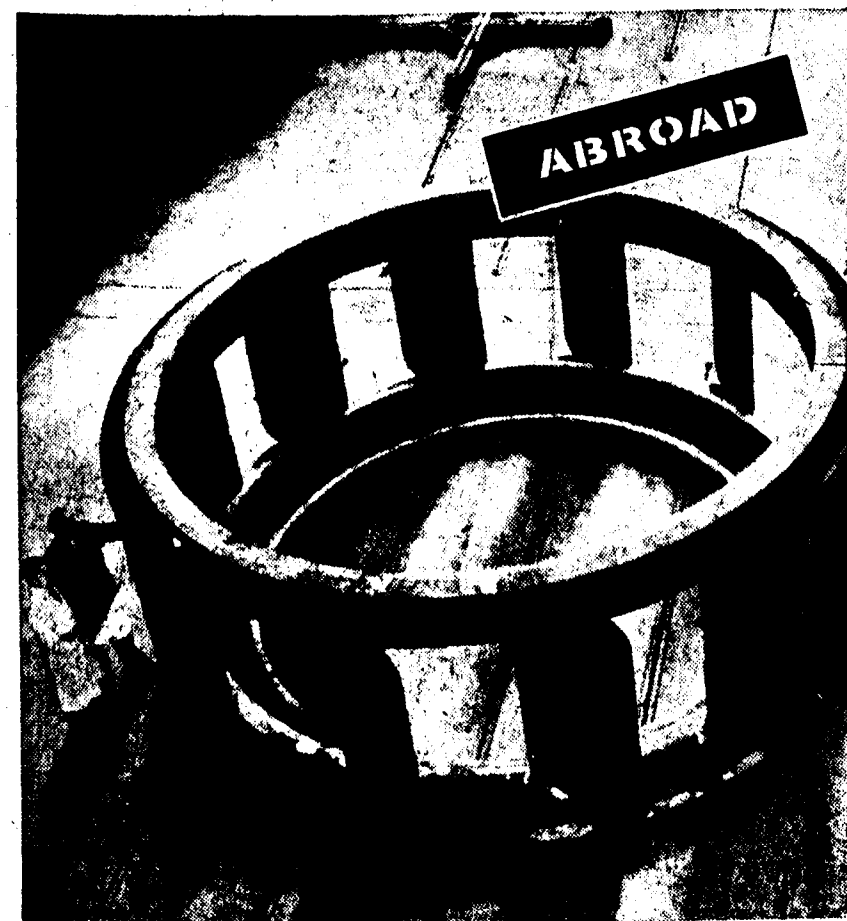
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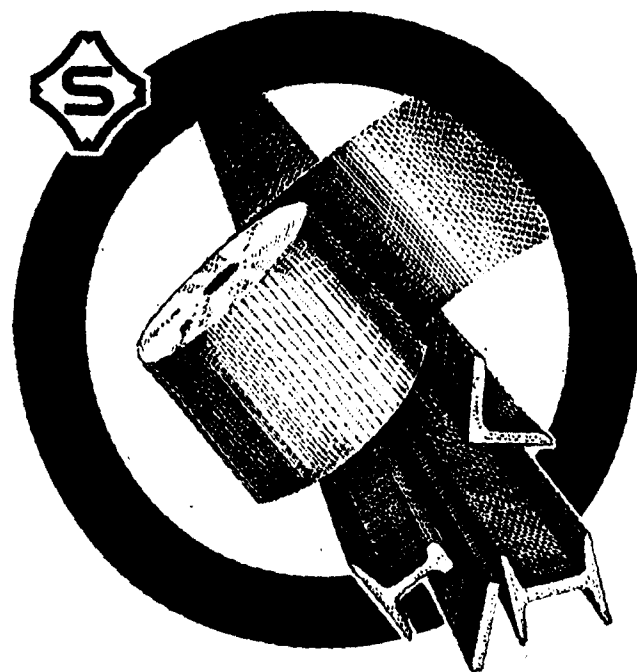
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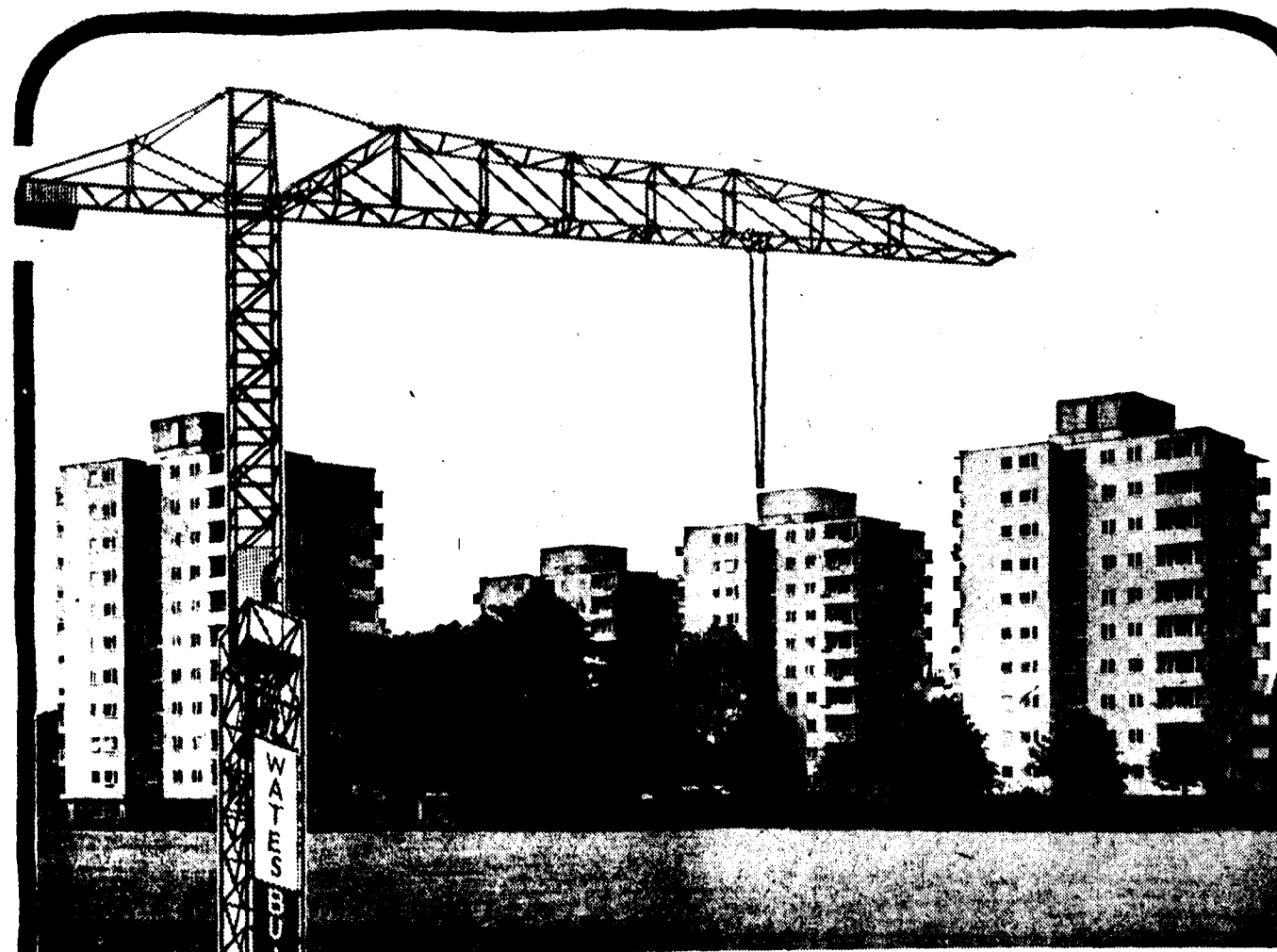


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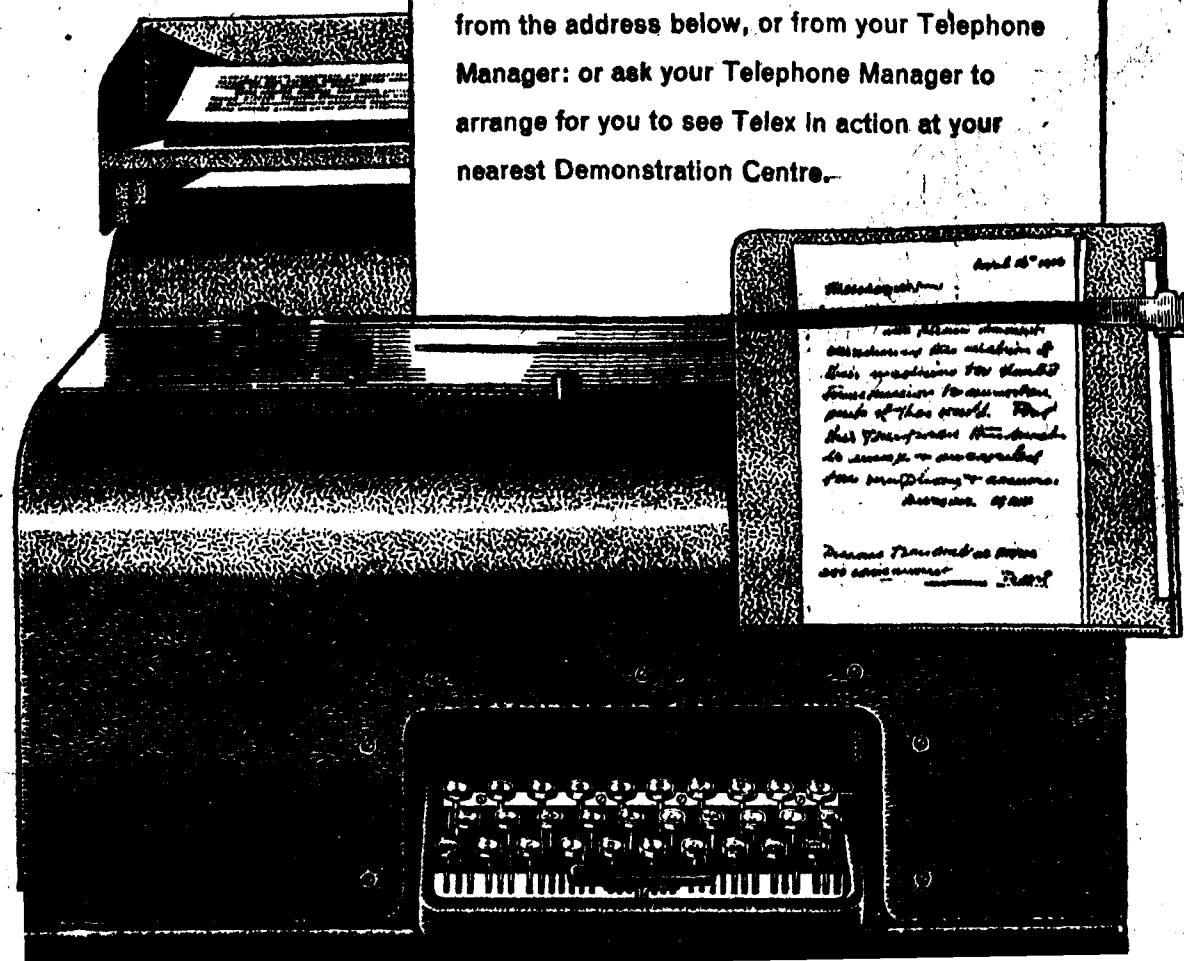
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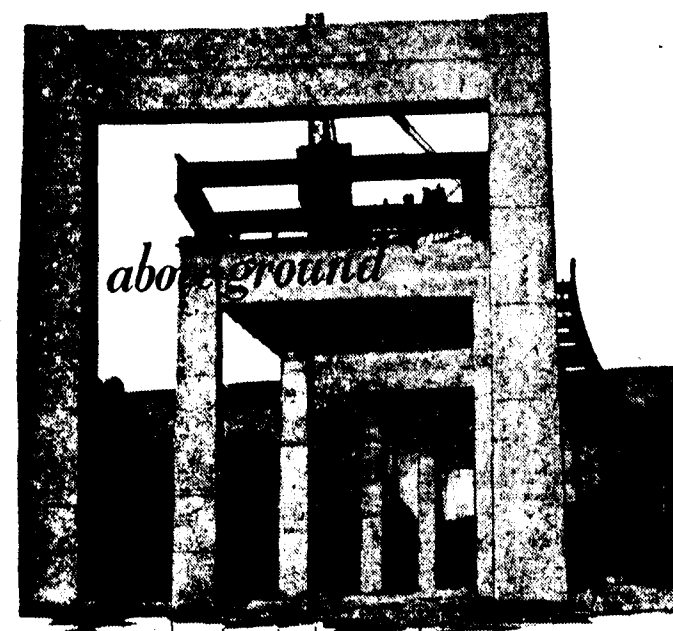
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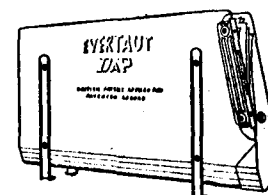
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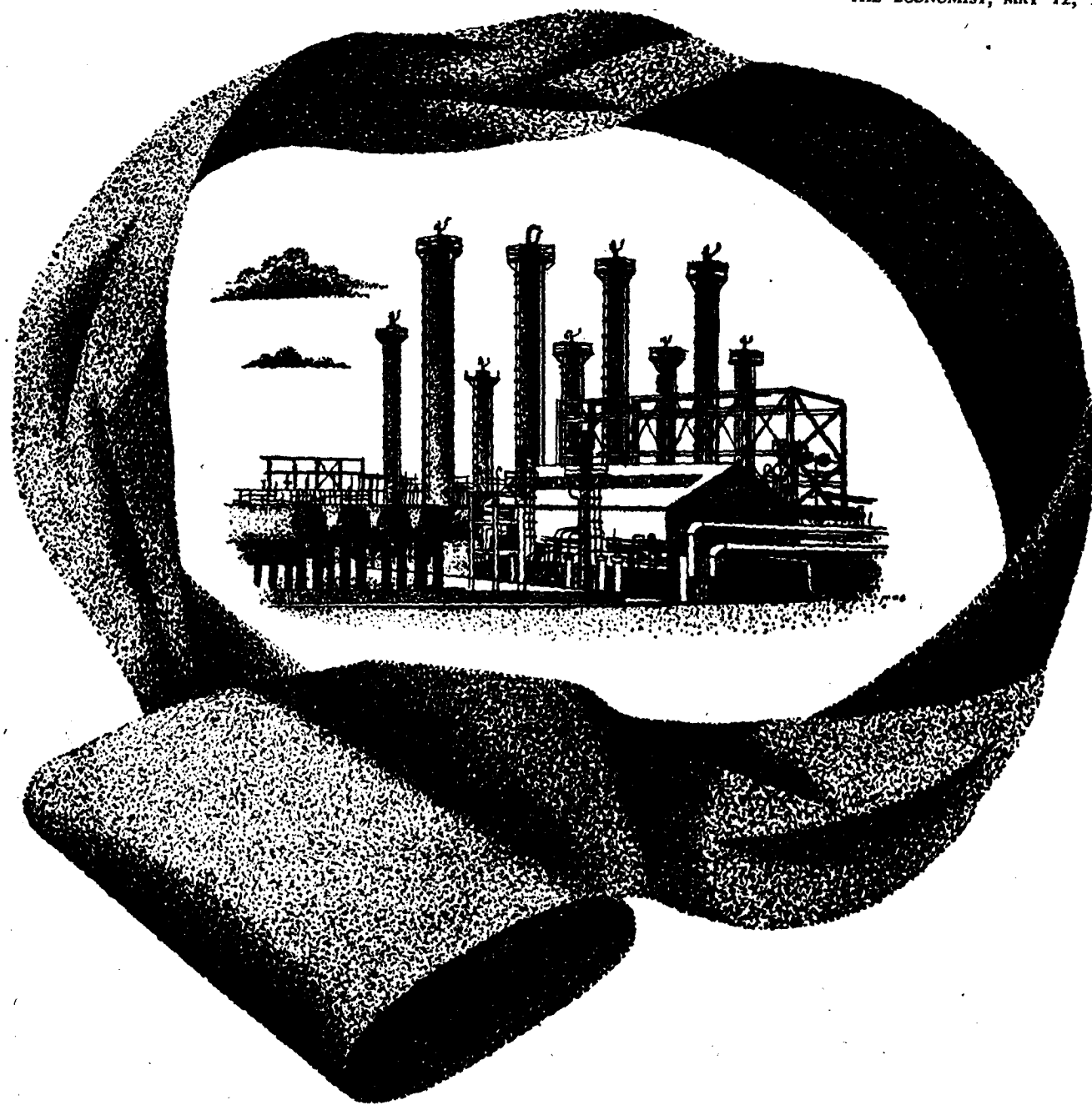
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The Economist

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MAY 12, 1956

ONE SHILLING

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Peace is Positive

A PARTNERSHIP of free peoples is always slow to change course; and it is not surprising that the Atlantic Council's convulsions last week brought forth a mouse. The mouse itself—Nato's second "Pearson committee"—was by no means ridiculous; but its work is unlikely to have much effect unless public attention is directed, while it pursues its task, not only to the real needs of the new situation but also to the most practical means of meeting them. The Atlantic allies have begun the search for new policies; but they have hardly got further than discovering how difficult the search will be.

Caution is certainly justifiable. The communist powers have presented the free world with its biggest poser for years. Is their "new look" worth encouraging in the hope that it will lead to more humane and really peaceful policies—or is it merely a trap? The free nations cannot just adopt a "wait-and-see" attitude, for the shadow-play behind the iron curtain looks like going on for a long time; it would be suicidal simply to relax and hope that freedom will somehow survive; and continuing doubt and disunity among the non-communist countries can have exactly the same effect as would unilateral disarmament.

There is no easier way for a journalist to fill a column than by calling for "vigorous rethinking," and leaving it at that. And piecemeal panaceas have been recommended that range from the ineffective to the disastrous. We are told that freedom is to be saved by tactful silence about political prisoners and slave camps; that neutral Asia's gratitude can be secured by making America hand over more of the aid that has to date evoked so little gratitude; and even that to gain Russia's confidence the West must scrap its alliances and leave their more exposed members to communism's newly tender mercies. To try to set out a comprehensive programme for the era of all-in co-existence is admittedly ambitious, too ambitious, no doubt, for a single journalistic piece; but is it not high time some attempt was made, if only as a starting point? Here, then, goes.

The aims of a positive policy for peace may be summarised as these: to encourage every sign that the communist system is getting (perforce perhaps) less inhumane and less menacing, and to press for more of the same; to maintain vigilance and strength unimpaired as long as the signs remain mere signs; and to demonstrate, to every human being we can reach, that the free society holds more promise than communism or any other form of despotism.

How can these aims be best pursued? One does not begin a positive policy by retreating. To suggest that, because the sun seems to be shining in the East, we should therefore dismantle our painfully acquired and still inadequate armament is obvious folly. But no less is it nonsense to suggest, as some do, that we can get our ideas across to the communists by ceasing to propagate them. Broadcasts and airborne leaflets are means of enlightenment to be abandoned only when

the Soviet rulers carry out their promise, made in London on April 27th, to permit a normal flow of books, newspapers and private letters across frontiers, and to encourage individual travel and friendship. M. Pineau's call for greater efforts to get "the propaganda of liberty" across to communist countries might also be translated into large-scale invitations for their subjects to come and spend holidays in the West; and these visitors should not be shepherd along paths approved by their masters, but allowed to see and to learn how free peoples live and think.

It will be important to make them and their rulers see that we in the West not only enjoy liberty, but do in fact hold fast to it. While it may be right that Ministers, when engaged in private discussions between governments, should not publicly demand that the communists' political prisoners be freed, it is the clear duty of all private persons to show every accessible Russian our hatred of arbitrary arrest and slave labour. The same applies to the iron curtain; there should be unflagging pressure, at all levels, for the lifting of this barbarous barrier, along which machine-gun towers and minefields still take their toll, and against the intricate devices (artificial exchange rates, refusal of driving licences, and so on) used to restrict foreigners' movements within the communist countries.

★

There is much to be said for developing direct contact with the satellites, as the French, in inviting Poland's "B and K" to Paris, evidently mean to do. The task now is to measure the real length of the rope supposedly given by Moscow to these nominally sovereign nations, to probe their rulers' cloudy talk about "different roads to socialism," and to explain to them and their subjects that the West is hardly likely to wind up its alliances while it confronts a monolithic, heavily armed bloc that is still directed from Moscow. To them as well as to the Russians it must be tirelessly pointed out that Western Europe, if it is to survive in freedom, simply cannot risk letting all Germany fall under the Kremlin's shadow; and also that they must free themselves from the quite understandable Freudian trauma left behind by Hitler's war, and recognise that the reunion in freedom of a Germany subject to the controls which the Federal Republic has already accepted will give them a degree of security which they cannot expect in any other way.

In Asia, the main tasks are to bring home to the "neutrals" that the West has no veiled designs on them, but that it cannot leave its pledged allies in the lurch just to please them; that, western imperialism being visibly in retreat, they will best safeguard their freedom if they keep a sharp watch on the new imperialism advancing from the north; and that, while we shall try to understand their motives, they should try to understand ours—in particular, to grasp the fact that our policies leave room for neutrality, while communism's leave none.

Free Asians and others will quite rightly judge us by our deeds as well as by our arguments. Their feelings towards us will very largely depend on our readiness to press on with the emancipation of dependent peoples in both Asia and Africa. But the interests of those peoples should not be subordinated to propaganda purposes. Freedom and equality for colonial peoples are goals to be sought for their own sake. We are entitled to ask "anti-colonialist" critics to look—critically, by all means—at the real underlying trend in this matter, not merely at the surface, and to remember that quiet progress on sure ground is vastly more valuable for those who benefit from it than are loud flourishes.

Much the same applies to putting in order the western countries' own houses. Social reforms devised merely with the aim of forestalling the growth of communism or the appearance of "popular fronts" are of little worth beside reforms carried out with their own positive objectives. In the long run, it is the health and stability of the free societies that will count rather than any number of spectacular gestures.

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In the field of economic aid for the poorer countries, however, there seems one possibility which, while admittedly spectacular, might offer solid advantages to the whole world. This week it was again pointed out in Parliament that Britain, like other donor nations, cannot undertake a new and massive international aid programme until the burden of defence has been eased. President Eisenhower has reaffirmed that America cannot channel more aid through Uno in present conditions. But a means of surmounting these difficulties may be derived from what M. Faure said last July. If—as seems probable—disarmament negotiations are still likely to remain deadlocked for a long time on the crucial issue of adequate control, is it not worth examining the idea of an international aid clearing house to ensure that the communist and the western alliances each contributed equal amounts of economic aid?

If contributions were thus scrupulously balanced, there could be an end of the ironic state of affairs in which the West, and specifically the United States, provides far more aid than the communist nations, through international agencies as well as bilaterally, and yet is continually exhorted to provide still more. There would be the possibility of a genuine restraint on the arms race, for a fifty-fifty operation carried on under the arc-lamps of world opinion would put pressure upon each group to limit its expenditure on arms to an equal degree in order to meet the other's challenge in philanthropy. Neither would be able to gain kudos from making gestures costing nothing, and the receiving countries could be relied on to see that any short weight got short shrift.

Western policy, that is, should be not merely to accept the communist challenge to "compete." It should be to throw down a new gage—a challenge to compete fairly. We have nothing to fear in a peaceful contest if

it is not rigged against us. But we must insist upon fair terms, for the communists will otherwise enjoy all the political advantages of secrecy, deceit, and hypocrisy.

Any such policy must, however, represent a formidable challenge to the free societies themselves. Can a partnership of free nations stand the long strain of holding to a complex, unspectacular, positive policy of this kind? It involves a great deal of self-denial, psychological as well as material. There must be no confusing flexibility with flabbiness, no raising of hopes by "summit"-type flourishes only to disappoint them, no shirking of burdens, no truck with either impatience or defeatism. The policy suggested may seem pedestrian (indeed, it would be no bad thing to ground all Foreign Ministers while this patient, probing process of testing the terrain for peace goes forward). But diplomacy is, properly, a daily chore, both in dealing with foes and with friends.

Next Step for Television

WITH the opening of its northern transmissions commercial television has completed the first stage of its expansion; with the pollsters' finding that, out of every ten viewers with a choice, six will usually be watching commercial television and only four the BBC, the experiment has, for better or worse, settled down. This seems to be a good moment to comment on where television appears to be going; as already, in any one evening, up to a third of the adult population will take some look at the screen, it is by far the most important new social influence of our time.

The Economist's view of commercial television has always been sufficiently moderate for it to be accused of being hypocritical. On the one hand we were for long disturbed by the deadening effect of the former BBC monopoly and even more by the fact that the otherwise far-seeing people in charge of that monopoly did not appreciate what damage they were doing to the spirit of intelligent controversy in public life. On the other hand, we always wanted television to continue its tradition of an "educational mission by stealth"; the hope was that a competitive system, retaining the services of some sort of public corporation censor or mentor, could still be used to prod the captive mass audience away from uninterrupted enjoyment of all the things it bovinely wanted towards occasional and unexpected enjoyment of some of the things it ought to want. As regards advertising, it seemed clear both that advertisers wanted to spend money on this medium and that most viewers would prefer to use that money rather than pay higher licence fees; the case for advertising finance therefore seemed to be made out, though with the warning that this finance alone might not suffice to carry the balanced programmes on which a public corporation ought to insist.

Above all, the programme calls for the greatest possible degree of team spirit. There has been too much talk of the need for a common policy by politicians who, in fact, merely expect other countries to line up behind them. (Britain's particular obligation here is to review its attitude towards the European community, towards Cyprus, towards racial and other issues, in the light of this overriding requirement.) There must be no more of the current tendency for each nation, newly confident as fear diminishes or prosperity increases, to make world issues a tool of domestic politics, or to assume that it alone can handle the communist bloc.

These are tough conditions. But the attempt to carry through a positive policy on some such lines as these is not merely desirable but vital. For neither in retreating to a sterile, defensive posture nor in a suicidal loss of vigilance nor in comfortable inaction "until we see how things turn out in Russia" is there any hope of securing freedom for ourselves and peace for the world.

To those who held these views, the system outlined in the original "White Paper" proposals of 1953, for making commercial television entirely dependent on advertising money but giving it a public corporation nanny with wide powers to keep it in order, was not really frightening; it was not frightening because it seemed probable that it would either have to be modified or else go broke. The chain of events that seemed most plausible at that time was that there would be a clash between those who pressed to "popularise" the programmes, and those who were determined to maintain the censoring powers of the ITA; that as soon as the "popularisers" gained any ground there would be a clatter of resignations and the devil of a fuss; and that the ITA would then emerge with its powers utilisable as well as intact, but with the system it supervised partly financed out of licence fees instead of wholly out of advertising revenue. This was exactly the result that "moderate reformers" wanted; it never seemed necessary to accept the conclusion that the clash would force the original conception of the ITA to the wall, and that the law of the lowest common multiple of competition would then drive the BBC in emulation to pitch all its programmes to suit only the lowest and thickest (in two senses) stratum of television taste.

This was the optimists' forecast. Before looking at the one respect in which it may be going wrong, it is fair to insist that in the two most important respects it is going right. The first of these—pace the prejudiced—is the continuance of television as a stealthy educational force. It is true that the mass, captive audience can now often escape from some of the worthiest offerings of the BBC to some less worthy concurrent offering on commercial television (or occasionally *vice versa*), but this was inevitable under any system of alternative

programmes; it would have happened if the alternative programme had been produced, as on radio, by the BBC, which would have meant that the viewer was given the choice between a "home" service and a "light." The questions that the champion of an educational mission in television has to ask himself are

(1) whether present ITV programmes are of a uniformly less cultural kind than a new BBC "light" programme would have been; and

(2) whether under competition the present BBC programme has degenerated below the former "home service" type.

One suspects that he can only give an unfavourable answer to the first question if he is ridden with prejudice, as so many critics of television are; it is certain that he can only give an unfavourable answer to the second if he is the sort of person who either never looks at a screen or will not look at facts. BBC programmes have changed in the last six months, but not at the expense of the high or middle brow viewer; the things that have been thinned out of the programmes are the cheap "fillers"—partly the panel games, but especially the less expensive outside broadcasts. Mr Richard Dimbleby is no longer for ever going down a sewer to report on how sewers are made; he goes to Monaco to report on Prince Rainier's wedding instead.

The second welcome feature of the new system is that, beyond most people's expectations, there has been a marked reform in television's treatment of public affairs. The new willingness of some BBC and ITV commentators to take and state a definite view on such controversial subjects as the best British policy for the Middle East; their readiness to thrust a camera and microphone into the environs of a communist congress or the midst of an industrial dispute or the thick of controversy about conditions in schools and school teachers' pay, where off-the-cuff answers to interviewers can be embarrassing—these add up to a broadcasting revolution, and one that was thirty years overdue. They constitute a very important democratic advance.

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Is there, then, any reason for the moderate reformer to be disappointed with the present experiment of commercial television? The odd answer is that he should be disappointed that it looks like making money soon. When the Television Bill was published two years ago, everybody knew that the initial financial position of independent television would be rickety; and it was hopefully suggested in these columns that if ITV had to reach out for public money in its early years, this would probably come from the pool provided by licence fees and that the "compensation provided to the BBC would then very probably take the form of permitting it to receive advertisements itself." This, frankly, was the outcome we wanted. Now, although some of those concerned with independent television are not going to balance their books in this first year of operation, and although the ITA will probably have to draw something

this year from the pool of public money eventually voted to it under the Television Act, profitability is within sight. The extraordinary and continuing rate of growth of the television audience, and the economies to be secured by each contractor taking relays of the others' programmes, seem to assure it. It therefore seems likely that it will be financially possible to continue indefinitely with this unplanned and almost accidentally-enacted new "British television system" in which one set of programmes, under the aegis of a speedily expanding BBC, will be financed wholly out of licence fees, while the other, under the ITA, will be financed wholly out of advertisement revenue.

If competition in television had been started from scratch, nobody would have chosen this odd separation of functions and finance; both systems would have drawn revenue from both sources. The BBC would have got some finance from advertisements, and licence fees would have been shared between it and its competitors—no doubt on some admirably biased system: for example, with more money for the more cultural programmes, special grants to the state system as the best forcing ground for experimental techniques, and so forth. When competitive television started, there was reason to hope that the tide might flow this way; in the event, however, the tide of prosperity may prove too strong, and, by causing an essentially silly system to be viable, make it look sensible to leave it unchanged.

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This is a pity, not perhaps for the short term, but in view of the longer prospect ahead. Some time in the 1960s technical developments may make it possible to open a large number of local relay stations; indeed, the untenanted part of Band III could be made ready for a new set of programmes now, as soon as investment stringencies permit. There is no point in pretending that any new private enterprise stations that were allowed to utilise this opportunity could be much more than relay stations, choosing and paying for programmes put out by the big networks (including the BBC) for 90 per cent of their time, and producing their own programmes for only about 10 per cent of it. But, on competitive and cultural grounds, this is the development that ought to be encouraged, and it would be an excellent thing if, following the American pattern, some of these stations were controlled by universities, educational foundations and trusts. So long as any new private enterprise stations have to rely wholly on advertisements, however, any new competition with the existing system can only be of the controlled "light programme" type; if learned magazines had to rely wholly on advertisements and could not charge subscription fees, there would be no learned magazines.

This opportunity may seem a long way off. But now that the first great step has been taken, if somewhat stumblingly, towards the sort of broadcasting system that a democracy ought to have, it is time to start thinking about the next advance.

Question Marks Over Korea

SOUTH KOREA goes to the polls next Tuesday to elect a president and vice-president. Sudden death removed Dr Syngman Rhee's only serious rival last week, and the South Korean voters are unlikely to be diverted from their task of re-electing Dr Rhee by the other surviving presidential candidate, or the presence of eight would-be vice-presidents (four of them, confusingly, with the name of Lee). Well-organised "spontaneous" demonstrations have persuaded Dr Rhee, for all his 80-odd years, that it is his duty to stand for a third term on behalf of the Liberal party; his control over the police, the unions and the students should be enough to ensure that he can answer the call.

And yet this election will not be quite the same as the last one, in 1952, and the change is a measure of Korea's progress since then. Even before Mr Shinicky's death, Dr Rhee seemed sure to get his majority, and he will probably carry his vice-presidential nominee, Mr Lee Ki Poong, into office with him. But despite his power and undoubted prestige he has no longer appeared quite so unassailable as he was in 1952, when he got 70 per cent of the total vote. Virtual elimination of illiteracy has been achieved in the last few years. The opposition candidates have been able to profit from the grumblings bred by inflation, incompetent administration and unrepaired war damage. This applied especially to Mr Shinicky, whose Democratic party has the advantage of a record of organised opposition in the Assembly. It is a pity that it will now be able to test Dr Rhee's strength only at the vice-presidential level. And there is another major change from 1952: for the first time in the republic's brief but bloody history, a candidate—Mr Chó, of the Progressive party—is risking Dr Rhee's wrath by saying that the reunification of Korea should be pursued by peaceful means only.

All this marks a small but significant advance. The same kind of improvement, from the bad to the merely unsatisfactory, has taken place in South Korea's economic position in the last three or four years. But this does not mean that the fundamental problems of a divided country have come any closer to being solved. Nearly two years have passed since the first Geneva conference pushed the Korean dispute into a pigeon-hole, and meanwhile the dust has been quietly settling on three unanswered questions. Can a way be found of reuniting the two halves of the country? If not, can South Korea's economy ever stand on its own feet without the prop of American and United Nations aid? And how should the West reconcile its support of Dr Rhee with the unpleasant features of his regime?

All three question marks still hang over Korea. Peaceful reunion is as distant a hope as ever. The North Korean leaders, and their colleagues in Peking and Moscow, are unlikely to accept a settlement that would jeopardise their control over the richest mineral deposits in the Far East after Manchuria, and put

western bases on the border of Manchuria itself. They face the hard fact that the north's population, now only five million, is dwarfed beside the south's 22 million. Even if the West dropped its insistence that all-Korean elections must be closely supervised, and accepted the communist proposal of a "neutral" commission (which would be hamstrung as effectively as the truce commission is), the odds against the communists might still prove overwhelming. They know that Dr Rhee would give short shrift to any opposition in the north of a reunited Korea. In the end the choice before them would probably be either elimination or a perilous reopening of the civil war.

So the armies continue to bare their teeth at each other over the barbed wire. Occasionally tempers snap and triggers are pressed. Newspapers in the south still carry cartoons depicting a triumphant march north into the dawn, while Chinese "volunteers" are being settled in the north to strengthen Kim Il Sung's thin ranks. The tragedy is that, united, Korea could be a rich country. The south has the people, the paddy fields and the rudiments of a useful light industry; the north has the iron ore, the timber, the hydroelectric power and most of the coal. But so long as the country is divided, South Korea must forgo dreams of heavy industry and reconstruct its economy along more modest lines.

Some progress has been made. South Korea's foreign trade still limps hopelessly, with exports in 1955 accounting for less than a fifth of imports. But the domestic scene is a little brighter. By next year the construction of four new hydroelectric stations should have made the supply of electricity at last equal to demand. Coal production is rising rapidly as mines are re-equipped by the Americans and the United Nations Korean Reconstruction Agency, though Korean coal is unhappily all of the brittle anthracite type. The rice harvest is back to the pre-1950 level, and the production of the more important industries, including textiles, cement and paper, has well exceeded it.

There are two main economic tasks. One is to reduce South Korea's dependence on imports. A good start could be made on this by building up industries to supply two of the country's main needs at home—fertilisers and coal briquettes. The other is to stop inflation, and this means, above all, avoiding huge budget deficits. Last year the deficit in the basic budget came to almost a fifth of the total expenditure, and even when counterpart funds were taken into account the gap was unhealthily large. This year things are likely to be a little better; but it will be impossible to stop the upward rush of prices unless the government makes a serious attempt to balance its accounts in the coming financial year.

South Korea's problems are rearranging themselves in a different order of priority. Pace Dr Rhee, war is not an imminent danger. Mr Dulles has gone on record

as saying that he does not fear an attack from the north at the moment, and Dr Rhee's own threats are made to sound a little hollow by the firm grip that the Americans keep over his petrol supplies. The West's task now is not so much to save South Korea from the threat of immediate extinction as to encourage the germs of democracy and economic stability within it. Half a Korea is better than no Korea at all, for humanitarian as well as strategic reasons. So long as Dr Rhee's regime is under western protection, it is at least susceptible to advice from the democracies.

Unfortunately, the coming election introduces a new element of uncertainty. Dr Rhee is officially 81 (and is in fact thought to be three or four years older), and may not last out another four years in the presidency. The long Japanese occupation left Korea desperately short of men competent to administer the country efficiently, let alone keep it united during the long haul of reconstruction. Dr Rhee is often an embarrassment, but he is also a man of intelligence and energy. If he died in office, he would in theory be succeeded by the vice-president; but it is difficult to see anyone who

could satisfactorily fill his place. Mr Lee Ki Poong, his own choice for the vice-presidency, is chairman of the National Assembly and has had some administrative experience as defence minister and mayor of Seoul. Some western observers doubt whether Mr Lee is the best choice, even within the limited range available. They would have preferred a man whose ability has been more thoroughly tested, like Mr Paik Too Chin, the economic co-ordinator.

A whole new series of questions will arise if and when Dr Rhee dies. Can his successor take up his duties without being challenged by a rival? Will the ambitious young army generals submit to him? Can he tread the narrow path between the urgent demands of investment and a reasonably balanced budget? Above all, will the West be able to rely on him—as, in the final test, it can rely on Dr Rhee—not to make a suicidal plunge northwards? The free world's problems in Korea are growing more complex, not less, as the war fades into the past. It would be ironic if it one day came to prefer the Rhee it knew to the Lee it does not.

Union Boss

Any resemblance between the character in this article and a living person is entirely intentional. But it is a composite portrait not drawn from any one union leader, and the union is an imaginary one. About two score real people with this sort of background are among the most important people in modern Britain.

BEN was born in 1900, in a Lancashire cotton weaving town. He was one of seven children; his father a textile engineer and his mother a God-fearing woman who spruced up her brood every Sunday to go to the Methodist chapel, where a socialist minister—much more socialist than Ben's family—preached on such texts as the camel and the eye of the needle. When he was twelve, Ben went to work half-time in a factory. When he was thirteen, he left school altogether.

These were hard and stormy times for the working class. In 1910, according to the Board of Trade's figures, the highest wage paid was 31s. 6d. a week, and in the cotton trade nearly one quarter of the workers were earning on an average less than 15s. a week (the equivalent of £3 at today's prices). The prevailing mood of bitterness made fertile ground for the syndicalist message of Tom Mann, that salvation lay in bigger and better strikes. In 1912 41 million working days were lost through strikes and lockouts. (Last year's figure was 3½ million, and that was considered a very bad year.) Sometimes Ben's father was unemployed, sometimes he was on strike, and there was a particularly bad time in 1910 when, after a long struggle for higher wages, 100,000 Lancashire cotton workers were locked out by the employers. There was little strike pay, and the Board of Guardians kept the family barely (very barely) alive.

When war broke out, Ben went to work in a

munitions factory, where the wages were good and the way was opened to a career in the metal trades. The trade union movement—unlike the strong pacifist element in the Labour party—thought it was right to go to war, and called a truce to official strikes. But Ben was involved in many unofficial stoppages organised by syndicalist shop stewards, and was very much in sympathy with them.

After the war he started going to classes organised by the Workers' Educational Association. He studied industrial organisation and economics, and worked far into the night. He also got married. This was a hopeful time for trade unionism, for its membership had grown from 2½ million in 1910 to 6½ million by 1920. Ben enthusiastically attended branch meetings of his union, and his new-found erudition soon made its mark. Five years later he was elected branch secretary. He was at this time a bit of a firebrand, and firebrands seemed to be needed. A wave of strikes had led to defeat after defeat, unemployment was never less than 10 per cent, and it was obviously all somebody's fault.

Then came the disastrous failure of the General Strike. That cured Ben of any syndicalist faith in "direct action." From now on he supported the efforts of his leaders to co-operate with the employers in bringing about better industrial relations. He took part in local politics, but he developed a contempt for national politicians when the Labour Government of 1929

proved helpless against the tidal wave of unemployment.

By now, at the age of 31, he was a district secretary, and had left factory work altogether. There was some advantage in being a trade union official in those days. You did at least keep your job. Not that Ben was an official for that reason; it was his social conscience and his desire for power that drove him on. His wife and family hardly saw anything of him; he was always at a meeting somewhere. He played his part in bringing about the amalgamation of his union with several others in the industry to form the National Union of Metal and Kindred Trades. Just before the second world war he was appointed a regional organiser, and later was elected to the national executive. Two years later, now aged 40, he was elected assistant general secretary. By this time the status of the trade union leaders had been transformed. They were accepted as partners in the business of running the country, and had begun to steer an uneasy course between their members' interests and those of the nation as a whole.

It was a foregone conclusion that he would succeed to the general secretaryship, as assistant secretaries always do; and after his chief collapsed and died while trouncing the two communist members of the executive, he was elected by a large majority of the fraction of members who bothered to vote. Now he is a busy man indeed. He works all round the clock—meeting the employers to negotiate a wage claim, sitting on a Royal Commission or a court of inquiry, attending the General Council of the TUC or one of its sub-committees, travelling up and down the country. For all this he gets from his union a mere £1,200 a year, plus a car. When he looks at what some other leaders get, he considers himself lucky. And like most trade union leaders he is curiously free from anxiety and strain; perhaps it derives from that same confidence which, as Miss Mitford says, keeps the working class so uninhibitedly U in its modes of speech. At all events his is a time-table that would produce a crop of nervous breakdowns in any other walk of life.

Ben's wife sees even less of him now. She has not grown in stature as he has, since the day they met in the Birmingham factory. Her only contacts with his work are at the annual conference of the union and at the Trades Union Congress. This is always by the sea, so it is by way of being a holiday. She stays in the best hotel and spends much time with an inner circle of General Council wives. They observe the same order of precedence as their husbands, which has its annoying side. Ben has only got the CBE, but the year will come when, as the General Council member with the longest service, he will serve his term as chairman of the TUC, and after that he can be certain of a knighthood if he wants it. His wife certainly does.

At the congress he makes a good, closely reasoned and, by union standards, right-wing speech. He would like to be even more right-wing, but it is no good getting too far out of line with the feelings of those annoy-

ing twenty-year-old firebrands (shades of 1920) who are such noisy elements in the union. He is the soul of moderation and good sense in general discussions, whether at 10 Downing Street or on the National Joint Advisory Council. But he does not for a moment abandon his trade union line. He does not blame his own members—very few of whom have ever set eyes on him—for trying to protect their jobs; he remembers the bad times. He makes only half-hearted attempts to dissuade them from claiming huge increases; and when some of them are involved in a demarcation dispute which he privately considers idiotic, he would never go and tell them so. He is no Ernie Bevin; he is not at all sure they would take any notice.

Ben is not good at providing himself with supporting staff—for example to brief him with facts and ideas. He has been far too accustomed in his younger days to do everything for himself. He is good at grasping the essentials of a brief in wage negotiations, and very good at presenting the case. But he reads little that is not ephemeral—he has not time—and what is worse, he has not time for any thinking that is not related to immediate problems. His strength is that he is an excellent administrator—though his short, sharp way with subordinates would startle the gentle student of personnel management.

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But what of the Bens-to-be? Arthur Deakin once remarked that if he had been a young man in the post-war world, he supposed he would have gone into the administrative grade of the civil service; Ben's own youngest son has just left London University. Therein lies a vital problem for the future. Now that all the bright boys are creamed off into the grammar schools and go on to the universities, how can the labour leaders of the future be of the calibre of those now at the top? The paucity of talent is already making itself felt at the lower levels of union office. The dearth of able men is intensified by the poor rewards that a career in the union now offers; while prosperity lasts, it is no more secure, and it is less well paid, than jobs in industry.

Paradoxically, the unions are also denuded of talent by a process which they suppose they ought to approve—the growth of industrial democracy, which makes it possible for a good workman to rise to a position of supervisor and then of management. Sometimes Ben or his district officers are asked by the bosses to recommend young men to move up the ladder; they then often find that these promoted supervisors give them the most trouble in factory disputes, and are in any case lost to the union movement. That this decline in talent should be taking place just when union power rises to its zenith is an alarming prospect. An improvement in our Bens' quality in the next two decades is really rather vital; at the moment Britain is faced with the likelihood of a marked deterioration.

Notes of the Week

Bitter Fruit in Cyprus

A HARD choice faced Sir John Harding when he was called upon to decide whether or not to reprieve two young Cypriots condemned on capital charges. One of them, Michael Karaolis, murdered a Greek Cypriot policeman on duty. He committed a particularly obnoxious type of murder and was condemned under the ordinary criminal law. His reprieve might have had a lamentable effect on the morale of the Cypriot police force. The second young man, Andreas Demetriou, shot and wounded an English businessman; but his victim did not die, and he was condemned to death under an emergency regulation for unlawfully carrying and discharging a firearm. In both cases, the Governor can reasonably argue that, if terrorism is to be defeated by the measures which have been introduced for that purpose, the law must take its course. The executions are not only the obvious retort to violence; they are of a piece with the policy which has been chosen to put down nationalist resistance in the island.

It is the policy itself, however, that has to stand the test of fact. Will it serve its purpose, which is the pacification of Cyprus? There should be no illusion that the execution of Karaolis and Demetriou will make a settlement any easier. It is likely to make it more difficult. A few potential gunmen may be frightened; some policemen and soldiers may go about their duties for a time with greater confidence. But the upshot is bound to be more tension and bitterness, and it will be surprising if the two men do not serve EOKA much better by their deaths than they could have done when alive. They will be hailed as martyrs, not in spite of but because of their crimes; and the ranks of the terrorists will be enlarged while those of the moderates shrink. In Greece still stronger feelings have already been aroused and the efforts of Mr Karamanlis's government to steer a steady course will be made still more difficult. The argument for clemency implied no condonation of these men's crimes; it rested solely on a reckoning of the consequences, balancing the exemplary punishment of murderous assault against the exacerbation of the conditions by which such assaults are bred. It is an old, and bitter, dilemma.

As things are, the Governor did not feel able to temper justice with mercy and things threaten to go from bad to worse. He is, in fact, in a cul-de-sac. The hope that a firm hand, with Archbishop Makarios deported, would prepare the way for a reasonable discussion of the island's future is being brutally dashed. With every agonising decision it becomes more evident that the only possible way out is to offer fresh proof now of the British resolve to give the Cypriots real self-government and that, in the end, a settlement will be reached only by treating with the nationalist leaders.

Nato the Unready

WHETHER last week's Nato meeting was a success or a failure is unlikely to be apparent before December. On the face of it, the meeting fell far short of the build-up it had received. It reached no major decisions, its communiqué reflected compromise rather than true agreement, and it was an object lesson in the futility of collecting fifteen ministers to discuss a basic issue without due preparation at lower levels. Nato's permanent council has had the question of Article Two, with its vague economic and social aims, on its plate since December, and it might have been expected that the ministers would have before them some clear recommendations rather than a mere catalogue of what various bodies were doing to further these aims; the evident reason for this lack of preparation was that the political pressures for actually doing something have only lately come to a head.

The meeting was in fact either too early or too late. Had the ministers been as convinced in December as they now seem to be that it is time to make Nato more than a military alliance, the permanent council would have been stimulated to feed them specific proposals in good time; while, if the ministers themselves had been convened at a later date, they might have gone to Paris with plans, rather than undigested first thoughts.

In the circumstances, the council did about all it could do. It agreed that the "political aspects of economic problems" should be periodically examined; it reaffirmed Article Two and instructed the permanent representatives to do what they could to implement it pending fresh ministerial guidance; and to study the French proposal for a new agency for world economic development. It appointed the foreign ministers of Canada, Italy and Norway to consult with member governments and then to recommend ways of developing non-military co-operation and greater unity. And it affirmed that any new ventures should supplement, not supplant, Nato's basic task of defence.

Mr Pearson's Broad Mandate

THE ball is now with Mr Pearson, Signor Martino and Mr Lange. It is tempting to say that the designation of these "three wise men" (or "three blind mice," to use Mr Pearson's own phrase) is simply a device to let public opinion down gently, and that little more should be expected of it than of the first Pearson committee, which reported on Article Two, with scant results, in 1951 and 1952. But to do so would be to ignore the fundamental changes of

the last five years. The war in Korea is over, the Nato military build-up (however poor its present shape may be) is levelling off, Soviet tactics have changed and the cohesion of fear has given way to the divisive strains of uncertainty. The second Pearson committee is, moreover, being launched on the crest of a wave of debate and soul-searching about the West's spotty record in the cold war. Healthy dissatisfaction is always a good starting point for new initiatives. Finally, the "Three" have a broad mandate; they are unhampered (if unhelpt) by much advice from their colleagues, and they have behind them not only a deep reservoir of public support in Europe, but a new willingness on the part of Americans to think about Nato in fresh terms. Mr Dulles's recent statements have not been entirely consistent; but two things emerge. First, he is thinking of the development of the Atlantic community much more in political than in economic terms. Partly this reflects his own tendency to ignore the connection between high policy and sordid economics; but in part it reflects the view, shared by British ministers, that a major economic role for Nato is seen to be set about with snares as soon as specific proposals are examined. The second thing that emerges is that the problem today is not merely how to implement Article Two, but how to marshal the resources of the West (not forgetting the essential military base) for the decade to come. Mr Pearson and his two colleagues should stretch their already broad mandate to the limit.

The Marathon Committee

THE Government's hopes of completing the committee stage of the Restrictive Trade Practices Bill by Tuesday night were not fulfilled; after seven full days of debate the House has only reached Clause 20 of this forty clause Bill. Yet this marathon of the specialists has been well worth while; the discussions have gone the right way. A small band of Labour and Liberal members have taken over the proper role of a left wing opposition on the matter, helping a willing President of the Board of Trade to tighten what he already hopes is a fairly tight Bill and taking tactical care occasionally to run a little ahead of him. On the other side of the House, the campaign threatened by a group of restrictionist Tory MPs has slowly collapsed. "I was disappointed with my right hon. friend's reply, but I appreciate his difficulty and I therefore beg to ask leave to withdraw the amendment," said Sir Lancelot Joynson-Hicks, somewhere back on Clause 8—and that mirrored the tone of the Tory "revolt." The only real moment of apprehension was when Mr Thorneycroft decided to amend the so-called "stinging tail" of the vital Clause 16. His amendment, however, when examined, merely confirms that the carefully limited arguments that can be put forward by the defenders of any restriction will be weighed in the "balance" against any detriment to the public resulting from the restriction. This is what laymen had always thought that the "tail" to Clause 16 meant; the amendment ensures that lawyers will now think so too.

The Bill is therefore over its main hurdle; provided the right sort of lay members are appointed to the new courts, it may be going to give British industry a much bigger and healthier spring cleaning than industry at present

anticipates. But there is still one way in which the Bill could be made even better. Although the remaining 20 clauses to run the gauntlet of the committee are mainly technical—and can probably be handled in one more sitting day—there is one important amendment still to be discussed; it is the only amendment of major principle that it has seemed obviously desirable to thrust through into the Bill from the start. Clauses 22 to 25 of the Bill restrict the powers of the present Monopolies Commission, in order to keep it "out of the hair" of the new courts. But the President of the Board of Trade at present tells the commission what fields or industries it is to look into; he can avoid this clash of jurisdiction, if he wants, by executive action. By incorporating these unnecessary clauses in the Bill he is throwing away a useful reserve weapon out of sheer statutory tidiness of mind. Why? Cannot those Tory members who believe in the attack upon restrictionism—and there are some—jostle an otherwise excellent Bill in the way it ought to be going by threatening to join with Labour and the Liberals in a revolt about this?

A Frogmarch for Sir Anthony?

THE Prime Minister's statement on the missing "frogman" on Wednesday was right in substance but maladroit in expression. Its cryptic melodrama has delivered him into the hands of the Labour party. In caricature of a British diplomat's normal reaction, Sir Anthony obviously considered that the Russians would give more weight to an assurance from him, than to an assurance from an under-secretary, that whatever Commander Crabb may have been up to in the waters round the cruiser Ordzhonikidze it was unauthorised by any Minister of the Crown. But the Russians are not made that way. As for the British public, especially those that know their secret service, they should already have been ready to seize, even without any statement, the obvious inference that the initiative came from somewhere lower down; it is not even impossible that it came from Commander Crabb himself and that the "disciplinary action" of which the Prime Minister spoke is directed rather towards an accomplice than a superior.

On the face of it, whoever blundered seems more likely to have done so out of rather boyish enthusiasm than out of intelligent secret service zeal. Whatever secret the Ordzhonikidze possesses the Russians can hardly rate the ship herself very highly; otherwise they would not have sent her to Britain, nor would Mr Khrushchev have humorously offered to sell to Britain ships of this kind which he considers obsolescent in terms of thermonuclear warfare. The incident was a piece of stupidity (if only because it was found out) rather than iniquitous. No doubt it was highly regrettable, but Commander Crabb paid dearly for it, and Mr Gaitskell and other Labour MPs cannot be proud of their intention to make use of it for party purposes. They did so on Wednesday because they wanted to be able to show that somebody else had been "rude" to the Russians. In the public interest, and in private decency, it would be much better if both this and the dinner incident were now to be regarded as closed.

A Saar Agreement in Sight?

FOR anyone who wants to make trouble between Frenchmen and Germans, the Saar provides obvious openings; the only question is which side to take. Last weekend the East German regime got over this difficulty by intervening on both sides. It invited the Saar and West German governments to meet with it and show the world that all Germany agreed that the Saar was German; and it told the French that it opposed the incorporation of the Saar into the Federal Republic if that meant that its industry would serve West German rearmament.

These interventions may have been prompted by the approach of tomorrow's local elections in the Saar, which have taken an ugly turn. According to French reports, a campaign of intimidation has begun against Herr Hoffmann's supporters and candidates, and last week the *Landtag*, on Dr Schneider's inspiration, refused to allow Herr Hoffmann to take his seat. France protested, and the Council of Western European Union has agreed to set up a tribunal to investigate cases of discrimination.

The political return of the Saar to Germany has, however, been recognised as inevitable by France, whose concern now is not to lose all its economic privileges there—to prolong the currency union with France as long as possible, and to retain some stake in Saar coal and steel. At present French prospects seem poor. France now seems unlikely to retain even a share in the Röchling steelworks; and it has had to retreat from its aim of extracting 130 million tons of coal from the Warndt mines between now and 1980, although the expansion plans of the Lorraine steel industry assume supplies on this scale.

Both governments, however, seem confident that complete agreement can be reached this month—one reason evidently being that the Germans have agreed in principle to the project for a canal along the Moselle valley. For the Federal government to take this step would be truly courageous, for German industry has little love for the canal scheme, which will improve Lorraine's competitive position. But, with the Saar lost, the Moselle canal seems vital to France; the Lorraine steel industry is so intent on it that French steel spokesmen have threatened to withdraw from the coal-steel pool if it is not carried out. German agreement to the canal project would indeed be a precious demonstration of good will towards both France and "Europe."

German Moods

THE abuse hurled at Sir Winston Churchill this week by some sections of the German press revealed two highly disturbing things. One is that an irresponsible journalist can count on a good many readers having such short memories that he can perpetrate a remark like "Hitler and Churchill are very similar in that they brought about a deep communist advance into Europe." The other is that the campaign of venomous attacks on Sir Winston—which no German paper of standing has joined—was initiated by a Düsseldorf organ of the Free Democratic party, a mouthpiece of the nationalistic "young men" who together with the Socialists now control the government of North Rhine-

Westphalia. The crude falsehoods published by this paper, which has also urged that Germany should make the anniversary of Sir Winston's acceptance of the Charlemagne Prize a day of mourning in future, have found their strongest echoes in the local press of the same area. Something of this spitting ultra-nationalism was reflected in the crowds that milled round British-occupied houses in the same *Land* last weekend. Their appearance had been provoked by the *Bundestag's* refusal to give the Federal government fresh requisitioning powers, and the position in regard to these houses remains anomalous and unsatisfactory, as will also the matter of support costs for allied forces until the present interim arrangements are replaced by something more definite.

The Federal government is fully aware of the power of the political "wild men" and their followers to whip up anti-western feeling and to harm Germany's relations with its friends; but it has pushed on steadily with its programme, and, in addition to the Saar and Moselle negotiations, has secured a first reading in the *Bundestag* for its conscription bill, relying heavily on the argument that without conscription Western Germany will not be able to carry out its pledges to its allies. The debate, held last Friday, revealed some unexpected developments. The Free Democrats and the refugee party did not, in the event, flatly oppose conscription. Dr Mende, the FDP spokesman on defence, again argued the case for creating a territorial militia alongside a professional army, ignoring the government's warning that such a militia could not be kept sufficiently prepared to meet the kind of threat that Germany faces. For the Socialists, Herr Erler suggested that it should be enough merely to create a force that would counterbalance the East German army. None of the opposition speakers seemed to take much account of May Day's reminder that the East German regime now controls not only an army, naval and air units, but also a network of factory "fighting groups," and a "sport and technique association" which alone has some 300,000 members and is controlled by Herr Grotewohl's ministry of defence.

New Threat to the Muslim League

THE inaugural meeting of the West Pakistan provincial assembly opens on May 19th. It will reveal whether Dr Khan Sahib has gained sufficient support for his new Republican Party to give him political mastery over the newly formed province. At present his prospects seem good. It was the Muslim League itself which provoked him into forming the new party by its attempt to oust him from the chief ministership of the province. By doing so it may well prove to have sown the seeds of its own defeat. If so, Mr Daultana, who seems to have been the moving spirit in the campaign against Dr Khan Sahib, will once again have overreached himself. There is no dearth of important recruits for the Republican Party, among them being Malik Feroze Khah Noon and Sardar Abdur Rashid, former chief ministers of the Punjab and the North-West Frontier Province. Indeed, the possibility is even being canvassed that Mr Suhrawardy and his Awami League may join up with the Republicans; the Awami League, as such, may not matter a great deal, but Mr Suhrawardy emphatically does.

What happens in the western province is particularly important in the wider context of Pakistan's first general elections under the new constitution, which are expected to be held next February. Whichever party controls the western wing will be in a fair way towards controlling the country as a whole. And in the intervening period an awkward position may develop for the present government at the centre: it is a coalition government with the League as senior partner, and if the League loses political control of West Pakistan, as it has already lost control of the East, it will be left high and dry. The League's chief asset, as things stand, is the prime minister, Mr Muhammad Ali, whose personal prestige is much higher than that of his party. The developments in West Pakistan are extremely embarrassing for him.

The Earnings Muddle

THE earnings rule for old-age pensioners is widely resented and therefore widely evaded, is complicated to administer and apt to discourage those who do not evade it from taking up part-time employment. But it is a necessary complement to the retirement condition—to the principle, embodied in the Beveridge report and the 1946 legislation, that a person must have retired from regular employment before he is allowed an old-age pension in the first five years of his reaching the minimum pension age. If the earnings rule were abolished, the retirement condition would have to go too.

Some people, notably Professor Cairncross in a reservation to the Phillips Committee's report on old age, have urged that both should be abolished, though Mr Cairncross hoped that before abolition the minimum pensionable age would be raised by three years. But the Government has always firmly maintained the retirement principle and therefore left out any consideration of it from the terms of reference of the National Insurance Advisory Committee, which was recently asked to report on the earnings rule. The committee has thus been forced to tinker with the existing provisions and has by its recommendations (the main ones have been accepted by the Government) so increased the complications of the rule that two members wrote a spiritedly dissenting note to its report.

It is quite clear why the retirement condition is still to be in force. To abolish it would cost the national insurance fund £76 million immediately. This would be the formidable price of paying pensions to the 450,000 men and women who have elected to continue at work after reaching the minimum pensionable age. But why allow this awkward barrier to block an advance for everybody else? The logical solution is surely to abolish the retirement condition and the earnings rule for all new pensioners, but not for those who are now within the first five years of the pensionable ages. They would be no worse off than they are now, and those of them who have not retired would receive the higher pensions they are entitled to on retirement. If this step could be accompanied by a decision that when next pensions are raised (and they will be raised some time) the increases should go only to men over 70 and women over 65, the aim of a longer working life—and of maximum national production—would be brought much nearer achievement than it is by the present complicated arrangements.

Fewer Conscripts Please

TWO steps seem to be under consideration for moving towards a more selective system of conscription. First, the call up of those in medical Grade III may soon cease. The army has long felt that it is unfairly singled out as the repository, under universal service in peacetime, of this annual crop of men of substandard physique or mentality. The RAF and navy declare that they can find no jobs for such men, and the army only does so by relegating them to jobs that are increasingly obsolescent in an increasingly highly-skilled organisation, or could probably be better done by civilians. There is everything to be said for raising standards of entry at once. The Government is apparently also considering, at the other end of the scale, the question of granting exemption to science or engineering graduates with first or second class honours who intend to go into industry. More caution is needed here; but the principle of selectivity is the right one. As and if the need for conscripts falls, the trend should be towards calling up fewer men but still for the present period of service.

How far is the need for new conscripts falling, perhaps even towards no need at all? The answer seems to be that figures of "prolongations" have responded most encouragingly to the new differential pay scheme, but the figures for recruitments less so. Recruiting as a whole rose by only 5 per cent in March, but the number of three-year men prolonging their engagements was up by 50 per cent compared with March, 1955. It will take some months—as it did when pay was increased in 1951—to see how far this improvement will go—or how soon it will tail off. It is certainly not large enough yet to produce the extra 100,000 long-service regulars needed to end conscription. No chickens can be counted; but the noise inside the eggs should be listened to attentively. As one sign that this is being done, the new system of organisation of the Territorial Army, announced this week, was openly stated to be preparing the way for the time when this force will again be a wholly voluntary one.

"Smoking is Deadly"?

WHEN the Minister of Health was asked about lung cancer and smoking in the House of Commons on Monday, he allowed himself to get off the fence—but not to go a single step beyond it. He quoted the opinion of an expert of the Medical Research Council that

the fact that a causal agent [in tobacco smoke] has not yet been recognised should not be allowed to obscure the fact that there is, statistically, an incontrovertible association between cigarette smoking and lung cancer.

Having said this, however, Mr Turton maintained that in the present state of knowledge a national publicity campaign about the danger of smoking "would not be appropriate." He may be right, if he was thinking of the same sort of campaign as was waged on behalf of immunisation against diphtheria. That was successful largely because it was based on instilling fear—"diphtheria is deadly"—and on the firm ground that immunisation was a well-trying means of preventing the disease. With smoking and lung cancer, the issues are not so simple. The fear is already

there; indeed, one of the most difficult tasks for health education is to convince people that fear of cancer, which deters them from obtaining an early diagnosis, gives the disease a powerful ally. Nor do the statistics show that smoking, even heavy smoking, is always deadly.

But this does not mean that the Government can do nothing. Since the case against smoking is largely statistical, and the relevant statistics are buried in medical literature, there is much to be said for a simple official version being distributed. Mr Turton promised to keep the public informed of all the relevant knowledge "when it becomes available," but he said nothing about telling it what is already known. To take an obvious example. What the man who smokes 20/30/40 cigarettes a day really wants to know is how great seems to be the chance that he will die of lung cancer in the next 10/20/30 years if he is now aged 30/40/50. It is no good leaving it to popular newspapers to compile tables of this sort, because by such means as reliance on present lung cancer rates instead of lung cancer trends, the figures can easily be biased—or suspected of being so. Let the Government call the odds.

Two Loans for Burma

THE two agreements between the World Bank and Burma signed last week demonstrate that it is still possible to lend money to a "neutral" nation on ordinary commercial terms. This in itself is an accomplishment in the new era of east-west competition in economic aid. But the limited nature of the new agreements is a reminder that the West cannot very well compete on equal terms with the Russians in helping countries that happen to have the wrong surpluses for export.

One loan is of \$14 million and will help finance the reconstruction of cargo berths and storage facilities at Rangoon and the purchase of floating harbour equipment. The other, of \$5.35 million, will go towards the improvement of Burma's railways. The first loan is for twenty years and the second for fifteen; both are at the Bank's usual rate of 4½ per cent.

Neither of the loans will meet the full cost of the programmes for which they are intended. The total cost of the Port of Rangoon development plan is estimated at \$19.3 million. The World Bank's share of the railways plan will be much smaller; the Burmese government intends to spend \$35 million on its railways in an ambitious programme which provides for the relaying of 200 miles of track, the repairing of 50 minor bridges, and the building of a new bridge across the Sittang river to replace one destroyed during the war; this last will restore rail service between Rangoon and south-east Burma. The World Bank's \$5.35 million will pay for imports of rolling stock and bridge-building materials.

★

The agreements represent a happy conclusion for the patient labours of two World Bank missions headed by Dr Antonin Basch. The first of these, which visited Burma in January, 1955, recommended that no loan be granted to Burma until it reduced the size of its development programme—considered to be too ambitious—and restored the

balance of the programme in favour of agriculture rather than industry. A second mission, which reached Burma in October, at one stage tentatively decided to recommend a loan to help its agricultural programme, but abruptly revised its plans when Burma accepted a Soviet offer of agricultural assistance.

The new loans by the Bank—35 per cent of whose capital is provided by the United States—probably represent the limit of American ability or readiness to help the Burmese economy under present conditions. Since the Burmese government rejected bilateral American aid three years ago, assistance from the United States has taken the form of Colombo Plan grants; these came to \$21 million between 1950 and 1955. Burdened with a rice surplus of its own, America has scarcely been in a position to compete with Russia in buying Burmese rice, of which Mr Mikoyan agreed last month to take a further 400,000 tons over the next four years, in return for Soviet machinery and other goods. In contrast, the United States agreed in February to sell \$20 million worth of raw cotton and other surplus agricultural products to Burma, against payment in Burmese currency. As a gesture, this may or may not have successfully matched Russia's projected gift of a sports stadium and a theatre for Rangoon.

Apartheid Behind Closed Doors

THE South African government already has extensive powers to prevent its citizens from leaving the country, and uses them; it is now taking new powers to deport persons who do not hold South African passports. This category includes settlers who have not yet qualified by six years' residence to start negotiations for South African citizenship, as well as those who prefer not to have it. The fear is that the authorities will dangle their new powers over the head of anybody who expresses more liberal views on political and racial issues than the Nationalist party. They certainly seem to be taking those powers in a strangely clandestine way, by a blanket clause embedded in a minor bill for tightening control over deserters from ships and unauthorised immigrants generally, and this inevitably engenders suspicion.

Paradoxically, the South African government is thus seeking to hold a permanent threat over the heads of its citizen-probationers at a time when South African circles are expressing concern that the spate of critical books about the Union and the bad press which it is getting overseas are choking off the intake of much-needed immigrants. The

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One trip the Romans avoided

TO CARRY ONE'S BRIDE over the threshold was an old Roman custom. The aim was to thwart evil spirits who lurked at the door and tried to trip the bride. When modern grooms observe this ritual, few of them realise its symbolism of protection.

But modern men of business are well aware of the need for protection of another kind. When a product goes to market nowadays it must be well packaged. Failure of the package is as serious as failure of the product itself. So to safeguard his goods and his reputation the

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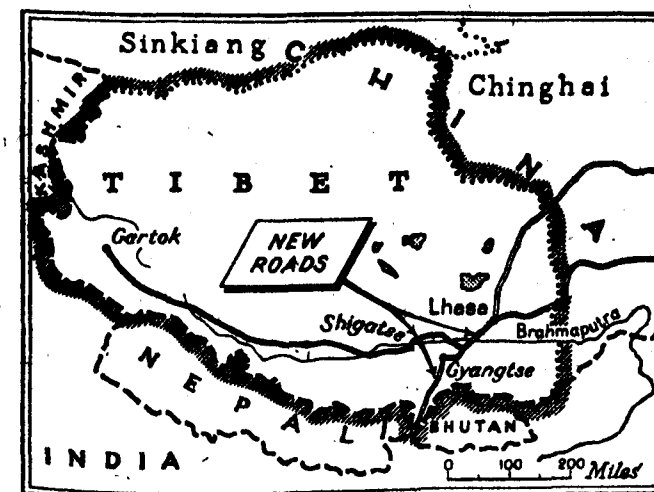
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Union professes anxiety to get immigrants of the "right type." The Tomlinson commission, which gloomily reached the conclusion that the white proportion in the total population would tend to fall steadily over the next fifty years, nevertheless assumed that the Union would gain at least 5,000 immigrants net every year. That is not a large figure, but it seems to be thought that the only way to make sure that these immigrants are of the "right type" is to be fully empowered to deport those who by deed or word displease the ruling party. Apartheid in practice amounts increasingly to a rigid authoritarian control over all races in the Union. The new measure is not one of the most onerous of these controls; but it is an ironic reminder that South Africa, in locking the world out, is locking itself in with its problem, the explosive potential of which the Tomlinson commission admits almost as fully as the critics. At a time when Freud's discoveries are being reviewed, such an action strongly suggests a neurotic withdrawal from reality.

Troubles in Tibet

CHINA is having trouble in digesting Tibet. Five years after Peking's troops marched in to carry out a "peaceful liberation," there are reports of an insurrection in north-eastern Tibet, the massacre of a Chinese garrison and punitive bombing of villages. These events make a grisly contrast with the songs, dances and imported acrobatic displays in Lhasa that marked the recent inauguration of the committee set up to administer Tibet as an "autonomous region" of China. In a brand new pavilion outside the Potala palace, the youthful Dalai Lama and the Panchen Lama, together with at least two Living Buddhas, declared dutifully that their country's "entry into



socialism" could be achieved only under China's leadership. This was said beneath the watchful eyes of Peking's representative, Marshal Chen Yi, and a contingent of Chinese troops.

Despite these fair words, the meeting showed that Tibet would like to reach "socialism" at its own speed. A Chinese delegate gave a glowing account of the roads his countrymen have built to open up Tibet, the most important of which are those from Lhasa to the Indian border and

from Lhasa to Gartok in the far west. China claims to have spent £43 million on these and on the preparations for building a railway from Chinghai. The committee was also treated to an imposing list of new schools, hospitals and agricultural schemes. But there were frequent references to the activities of "counter-revolutionaries," and several Tibetans insisted that changes must come gradually, without infringing on the rights of the religious authorities. One speaker put these sentiments in bluntly un-Marxist terms: "The government must ensure that the political position and material life of upper class Tibetans, including upper class people in the ecclesiastical sphere, will not be reduced." This must be the only country behind the iron curtain where the building of chanting rooms for monasteries is listed among the achievements of socialist reconstruction, or where rumours of impending reform can be denounced, in the Dalai Lama's words, as a "vicious fabrication." Tibet will not lie quiescent under Peking's rule. A name worth watching is the complicated one of Ngabou Ngawang Jigme, who has been appointed secretary-general of the new committee; he may find that Peking has put him on to an uncomfortable saddle.

The Treaty of Peace

It would be tedious now to enter into any renewal of the controversy regarding the terms of peace. The subject has been fully discussed in the Houses of Parliament, and an address to Her Majesty expressive of the satisfaction of the country has been carried *without a division*—a rare, if not an unexampled, instance of unanimity on such occasions. The peace of Utrecht in 1712, the peace of 1763, the peace of 1783, the peace of Amiens in 1802, the peace of Paris in 1814, all gave rise to acrimonious discussions and protracted party conflicts. This peace stands out alone in our modern annals, as one about which scarcely any difference of opinion worth recording can be said to exist among our public men. Some grumblers, indeed, have been heard to observe that it resembled that of Amiens, which Sheridan (plagiarising from Sir Philip Francis) tersely described as one "which every one would be glad of, but which no one could be proud of." Never was comparison more infelicitous. The converse of the proposition would be far nearer the truth. This is a peace which every Englishman must be proud of, though, perhaps, many Englishmen may be pardoned if they are not glad of it. Those may not be glad of it who have lost valued friends in the strife, and were thirsty for signal and vindictive atonement. Those may not be glad of it who anticipated certain grand and indefinite but indirect results, and who believed that another year of war would have ensured them all. Those, finally, may not be glad of it who, seeing the magnificent preparations for the next campaign, were justly sanguine of distinction for themselves and of glorious triumphs for their country. But most assuredly this is a peace which every one—even these parties—must be proud of. . . . We ought to be proud of it, most especially, just because we are *not* particularly glad of it—because we have accepted it when, had private considerations guided us, we should not have been sorry to have postponed it—because, in obedience to the dictates of equity, moderation, and humanity, we have voluntarily sheathed the sword precisely at the moment when we were best prepared to strike and our foe least able to resist.

The Economist

May 10, 1856

Blind Eye on Guillebaud

IT is not perhaps surprising that this week's debate on the Guillebaud report on the cost of the health service should have been so pedestrian. For the report itself has clearly pleased the pedestrian people in both parties: the Conservatives, because it did not recommend any unpopular or difficult measures; and the Opposition, because it did not find any evidence of the widespread extravagance in administering the service that the Labour government used to be accused of permitting.

Thus the debate consisted for the most part of a review by the Minister of the committee's few recommendations and what the Government was doing about them, and of comparatively minor points raised by other speakers—as might have been foretold, Dr Summerskill started the old hare about the cost of proprietary drugs. But what was sadly lacking was any speech dealing in full with the fundamental question raised by Sir John Maude in his reservation to the report: that is, the absence from the structure of the health service of incentives to administer it wisely and to economise. Those who administer the service do not have to find the money to pay for it—a divorce that has undoubtedly been a major factor in the tremendous rise in hospital expenditure since 1948.

In fact, such incentives as exist in the service are towards expansion rather than contraction. If, for instance, a hospital authority wants to close down a ward it finds itself up against the fact that the matron's salary may fall with the reduction in beds. The less people's teeth need treatment, the smaller the dentists' incomes. It is, of course, easier to criticise the lack of incentives to economy than to propose ways of providing them. But the absence of any such fundamental discussion was a reproach against the report; it is now a reproach that must also be levelled against the Parliamentary debate.

No Light on Blackpool

THE torpid calm of municipal electioneering has been disturbed at Blackpool by most unusual charges of bribery and corruption, concerning (among other matters) land transactions in which councillors are alleged to have participated. The local Liberals have been pressing the Conservative majority on the council to authorise an independent inquiry into these allegations, but have received the reply that the council ought not to spend ratepayers' money on investigations which the local police are competent to perform. An earlier attempt to secure the intervention of the Minister of Local Government failed on the discovery that it would be necessary for both Houses of Parliament to authorise the inquiry as a matter of urgent public importance.

No outsider can know whether this criticism is or is not pure calumny; we certainly do not. But this case raises an important question of principle. Ought there not to be some way of forcing a council to take seriously allegations of this kind? It is no good saying that the best safeguard against the danger of municipal corruption is a vigilant local opposition; given the British laws of libel,

it is difficult and dangerous for local critics to voice their suspicions aloud. Already writs have started to fly at Blackpool.

On the other hand, it would be absurd to set the whole majesty of Parliament and the Realm chasing after every whiff of alleged local scandal. What is needed is an opportunity for the Minister to make a few discreet inquiries and then, if necessary, to prod the local council into putting its own house in order. There is a very proper aversion to giving ministers any more powers of control over local authorities; but powers of inquiry and powers of control are two very different things. It was the lack of the first, and the existence of the second, that always made one feel so sorry for Caesar's wife.

Printers' Offer

THE London Master Printers Association has offered a general wage increase of £1 7s. 6d., to apply from April 20th, to the 8,000 compositors, machine minders and readers whose wage dispute closed down, or sent abroad, many periodicals in February and March. It has also offered to raise the minimum wage from £9 8s. to £11, an increase of £1 12s., but only those on the minimum will get all of this. The first 4s. 6d. of any merit money or house money earned above the minimum will be absorbed in the increase. This offer of £11 is 4s. 6d. above what the court of inquiry suggested, but the court's figure of £10 15s. 6d. was intended to absorb merit money and house rates up to the full amount of the increase in the basic rate. The London Typographical Society, which had asked for a minimum of £12, has thus got 8s. 6d. above what the employers originally offered for a very few of its members, and 4s. for most of them, if allowance is made for the 1s. a point increase under the cost of living sliding scale, which would have given them 5s. by now if they had closed on that original offer. The union executive has recommended acceptance of the new offer in the ballot that takes place this week. In considering these increases it should, of course, be remembered that this is an agreement that is supposed to last for three years.

The other unions concerned in printing have said they will now ask for an increase to restore the differentials (between themselves and the craftsmen) that have been upset by the employers' offer; and the employers have promised a fair adjustment. But the craftsmen partly based their claim on the need to widen those differentials. It is therefore going to be important for the employers to try to stop the merry-go-round firmly here; otherwise it will become a very sad roundabout indeed.

Even Belgium "Squeezes"

THE credit restrictions announced this week by the Belgian government are a significant landmark in Europe's inflation. Whilst Britain, Scandinavia, West Germany and other developed countries have been endeavouring to check expansion for many months, Belgium has so far done little to limit inflation. Discount rates were raised by a quarter per cent last August, but the move was

designed more as a token warning and a response to moves abroad than as an active squeeze. Other aspects of policy remained expansive. Important public works, including a major road programme, were undertaken last year, and the government continued to encourage private investment through "Butler-type" investment allowances, cheap credits, and subsidies to building costs for new industries. Now many of these expansive measures are to be modified—a basic change in policy.

The change reflects the fact that Belgium's large reserves of labour and capacity, which have been so valuable to Europe's boom, are at last nearing an end. Highly dependent on exports, but burdened with high costs, Belgium, in the three years 1952-54, had plenty of slack capacity in all its basic industries. Two years ago, when Britain's inflation was already getting under way, huge coal stocks were still piled up embarrassingly at the Belgian pitheads and many steel and engineering works, marginal to Europe's economy, were idling. But these idle resources have now been sucked up by boom conditions in Germany, Britain and other countries. Last year, for example, Belgian exports to West Germany rose by nearly 50 per cent. Now at last Belgian prices are showing signs of strain, and skilled labour, particularly in building, is becoming critically short. The Belgian economy still has much more room for manoeuvre than the British; big exchange reserves will permit larger imports, and the government is encouraging this. But the new measures are a suggestive sign that Europe's resources are almost fully stretched.

New Brooms and Ceylon Bases

THE new prime minister of Ceylon, Mr Bandaranaike, has now spent his first month in office and has made his mark. Although he came to power as leader of a coalition, in which his own Freedom party is dominant but not all-powerful, his government has settled down smoothly, and the prime minister himself shows plenty of confidence. The main opposition groups—Dr Perera's trotskyites, the Tamil federalists, and the remnants of the long supreme United National party—are in no position to unite against him. He has strengthened his team by bringing in an experienced former minister, Mr R. G. Senanayake, and has pleased the public by his initial statements of policy. It is not entirely clear why he has postponed the Colombo Plan exhibition that was to be held next February (one good reason might be that it would have involved publicising the development programmes undertaken by the defeated UNP); but in spite of his announced aim of making Ceylon a republic, he has publicly and courteously expressed his regrets to the Queen Mother, who was to have opened the exhibition.

He has been careful to speak of nationalisation as something to be carried out "progressively," and has shown less concern with ousting British planters than with ensuring that, as and when they may leave, inefficient Ceylonese private owners should not take their places. He has canvassed the possibilities of more trade with, and aid from, communist states, but has also declared that American aid involves "no strings whatever"; indeed, one of his first actions after taking office was to sign an agreement under which Ceylon will receive \$5 million worth of aid from the United States.

On the tricky question of the future of the British naval base at Trincomalee and the RAF station at Katunayake, the prime minister's attitude has likewise been firm but not fiery. On Wednesday of this week he reaffirmed his unchangeable intention of doing away with the bases, but added that he wished to do so without causing Britain any inconvenience or losing its friendship; and last week in the House of Representatives he and his supporters firmly resisted trotskyite and communist demands that the bases should be abolished without delay. When he comes to the Commonwealth conference in June, Mr Bandaranaike can be expected to listen sympathetically to Australian and other anxieties about the disruption of strategic communications, but to remain unyielding in his insistence that the bases must go.

SHORTER NOTES

When the results had been announced for the first 1,000 seats contested in this week's urban district council elections Labour showed a net gain, according to the best available estimates, of 23 seats. For what it is worth, this sort of turnover—23 per 1,000—is about the average change one would expect in a widespread British election from a one per cent swing to Labour since these particular seats were last contested in 1953; that would approximate to a 2 per cent swing since the general election of 1955, and, if true, might be about enough to bring a maddening near-equality in the House of Commons if a general election were held now. If that trend is also mirrored in the provincial borough elections—the results of which will be becoming available as this issue reaches readers' hands—they might show between 50 and 100 net Labour gains of seats; in the metropolitan borough elections, there might be a threat to Tory control of Lewisham and Paddington (and, less likely, Wandsworth). But this is cited as a measuring rod, not a forecast.

★

A wise decision was made at York by the representatives of the 10 unions involved in the Standard strike. Their chairman, Mr H. G. Brotherton, asked for a top level meeting with the management to discuss the issues involved, and this was arranged for Sunday. In return the executives have told their members to return to work on Monday and—a clever compromise—they will pay strike benefit without recognising the strike.

★

The result of the mid-Ulster by-election was the worst result possible. At this third time of asking, the unofficial Unionist got in on the splitting of the anti-partition vote; the majority against partition rose from 806 in the previous by-election to nearly 2,000, which was close to the majority that was regularly recorded in this constituency until the last general election. Most unfortunate of all, the moderate opposition candidate (Mr O'Neill, who as an anti-partition candidate prefers constitutional methods of change) lost his deposit, and the strongest opposition support went demonstrably to the Sinn Féiner. Thus the constituency is more irreconcilably split than ever into two groups, and is now to be represented by the one party that the slightly larger group has shown three times it does not want.

Letters to the Editor

Self-Criticism to Excess

SIR—The emphasis rightly placed by the Chancellor of the Exchequer on the urgency of increasing our export trade has been followed by a spate of letters to the press. They make serious, though ill-defined, criticisms of British manufacturers and of their attitude towards overseas markets. Without exception, they allege inefficiency, if not downright sloth.

Our national sport of self-denigration is a pastime little relished by British manufacturers determined to expand overseas markets. Both at home and abroad, it is tending to undermine the confidence on which our economic future depends. No manufacturer is inspired to give of his best when enveloped in a miasma of hostile yet unsubstantiated criticism.

We ought, of course, to know the facts. To be of value, however, they should include detailed criticisms of individual undertakings capable of being investigated by some body with the prestige of the Federation of British Industries. Only then can we establish how far these current allegations apply to our export drive as a whole.—Yours faithfully,
London, W.2 F. C. HOOPER

Next Step in Cyprus?

SIR—In your issue of May 5th you show some sympathy with Dr Fisher's strictures on the Government's inaction in Cyprus. Many would share your view that a fresh initiative is required on our side to break the deadlock. For the longer the Government waits the harder it will become even to negotiate, let alone to agree.

The real problem is what the next step should be. You suggest that someone should draw up a constitution based on the common ground between Archbishop Makarios and the Government, "if possible, with the advice and help of the Cypriot leaders." But there exactly is the rub. Another paper constitution will be as sterile as the constitutions prepared in 1948 and 1954 unless it is acceptable to the Cypriots. It will not stand a chance of acceptance unless it is drafted in consultation with their leaders. This, I believe, is a *conditio sine qua non* for a negotiated settlement.

There is therefore some exploratory work to be done before constitutional talks can start again. We must ascertain whether, and in what circumstances, the Cypriot leaders will be willing to co-operate. The Ethnarchy is adamant at the moment about having Archbishop Makarios as their spokesman. We should

consider, as in the case of the Kabaka of Buganda, under what conditions he might be released and permitted to return. The Cyprus Conciliation Committee feels that the best way to prepare the ground for further talks is for the Government to send out immediately a Parliamentary Commission, representing all parties, to collect the views of every section of opinion in the island. Whether or not the mission is successful, it would show the world that we are still doing our best to replace force by reason in our dealings with Cyprus.—Yours faithfully,
LISTOWEL
House of Lords

The Nuclear Power Programme

SIR—The programme so far published envisages that by 1975 the nuclear power station capacity will be between 10,000 and 15,000 megawatts and will save about 40 million tons of coal a year. The figure works up in the intervening nineteen years to this target. (Vide recent HMSO publication, "The Commonwealth and Nuclear Development.")

In view of the present very serious shortage of coal which must inevitably get worse year by year as the demand expands, and which gap is at the moment being filled by oil alone, would it not be more realistic if this programme were greatly accelerated and greatly extended? Unless this is done our economy is likely to be strangled.

It is appreciated that the development of design of nuclear power stations will probably undergo considerable modifications and improvements in the next few years, but nevertheless, having established and tried out the various prototypes, surely a more ambitious scheme could be emplaced on the present programme, which on estimated costs is involving the modest expenditure of £300 million in the first 10-year period.

In view of the fact that our future prospects as exporters of manufactured goods depend on ample and cheap power, it would seem that the size of this programme is much too meagre.—Yours faithfully,
HARRY B. PATEN
Peterborough

Teachers in the Money

SIR—The heading in your issue of May 5th seems inconsistent with your January article on the position of the blackcoated worker.

I quote from the January article: "Where the prewar salary was from £200 up to £700 or so, the present-day

salary should be about three times as large to enable the recipient to maintain his absolute standard of living, and about three and a half times to enable him to keep his place in the community."

Most men teachers in prewar days came within the stated income bracket, £200-£700. Scale III, applicable to all large towns and boroughs except London, was for men, £180 by increments of £12 to £366. If this scale is multiplied by the figures 3 or 3½ which *The Economist* declared to be necessary it becomes, either (a) £540 by £36 to £1098, or (b) £630 by £42 to £1281. The new basic scale is £475 by £25 to £900. From this it will be seen that the assistant master loses at minimum, on increment and at maximum.

The London schoolmaster fares even worse. His prewar scale was: £192 by £12 to £408. This multiplied by 3 gives £576 by £36 to £1224; multiplied by 3½, £670 by £42 to £1428. He will now get a London allowance of £36-£48 in addition to the basic scale, i.e., £511 by £25 to £948. His loss at maximum will be either £276 or £480, according to which standard is used. Can proposals which leave the schoolmaster so much worse off justify the heading "Teachers in the Money"?—Yours faithfully,
HARRY MEIGH
London Schoolmasters' Association

The Struggle for the Border

SIR—Surely it is your reviewer, and not Mr Hutchison, who is in error in questioning (in your issue of March 24th) that it was Charles II who was the subject of the famous remark "who never said a foolish thing nor ever did a wise one"? The Oxford Dictionary of Quotations confirms that this was part of Lord Rochester's epitaph on the King, who was said to have replied "My words are my own, my acts my ministers'."—Yours faithfully,
London, E.C.3 E. J. HILL

[Mr Hill and Mr Bruce Hutchison are right. Our reviewer apologises to Mr Hutchison for his error.—EDITOR.]

The Revalued Penny

SIR—Your correspondent Mr Alexander-Sinclair makes an interesting suggestion of revaluing the penny, but I think this would lead to too much confusion in getting change from a shilling. What we really need is a slight upward valuation of the penny so that we have ten in a shilling instead of twelve. The value of the shilling and the pound would be unchanged and only the price of things costing less than 2½d. would be increased by this change as long as sellers did their duty and made appropriate reductions in pence prices above 2½d. The savings in accountancy and the conduct of business from having 200 pence in a pound would be immense. At a later date we could set about improving our coinage.—Yours faithfully,
P. C. ALLEN
London, S.W.1

Books & Publications

Kenya Testimony

WE BUILT A COUNTRY.

By J. F. Lipscomb.

Faber. 214 pages. 15s.

LAW AND DISORDER.

By Peter Evans.

Secker and Warburg. 308 pages. 18s.

WHETHER Mr Lipscomb would regard Mr Evans qualified by length of residence to write about Kenya or Africans is an interesting question; Mr Evans was apparently there in 1928 and he assisted in the defence of Jomo Kenyatta. But Mr Lipscomb lays it down that nobody can write intelligently and fairly about Africa unless he has "lived in the country," which, from a settler point of view, must be held gravely to invalidate most of the members of the Royal Commission as much as it does the British MPs whom Mr Lipscomb found so uninformed when debating African matters in the House of Commons, as well as mere journalists and visitors.

This is not an idle matter. Mr Lipscomb's title goes to the heart of the settler attitude; and it is not a wholly irrational one. He himself spent the better part of 35 years converting a slab of raw Africa into a fertile farm and gracious country residence; and those who do such things are the people who live in Africa and feel that they have the final argument in all controversy about rights and wrongs in Kenya, or perhaps anywhere in the continent: "I know the African." Mr Lipscomb does not mention the anthropologists, and makes but a passing reference to the missionaries and district commissioners. He may feel that their special interests—to science, God and the Colonial Office respectively—warp their view when it is at variance with his own. But the question which the outsider must ask himself is whether the creating of a fine farm out of a slab of raw Africa—a job for which nobody need apologise and which few have the courage and industry (and capital) to perform—does not itself introduce distorting lenses between the land-breaker or home-maker and the African in the modern scene.

The outsider can thus be profoundly grateful to Mr Lipscomb, who has written a frank, personal and considered settler's testament; but having read it—and it is immensely readable—he may with some profit turn to Mr Evans. Kindliness but firmness irradiate Mr Lipscomb's pages when he describes Africans, and deep melancholy supervenes when he refers to the libels on the Kenya settlers' behaviour in the Emer-

gency, or before. Mr Evans is a lawyer and is not friendly to the settlers, but his book contains plenty of facts as well as accusations—including quotations from Mr Justice Cramm on the Muriu Wamai case, and the story of his own expulsion from the colony. He is in no doubt that there was systematic terrorism both by the Kikuyu home guard and the police and other European formations; and against his presentation of his brief Mr Lipscomb's suggestion that it was the youth of Kenya who put things right looks a bit thin. Mr Evans sees almost only the barbarity of the whites and of the loyalists; Mr Lipscomb sees only the barbarity of the Africans. Both are, however, eye-witnesses; and the outsider—especially the occasional politically-minded visitor to Kenya, whom Mr Lipscomb dislikes so much—must choose between these judgments.

The balanced view is unpopular with either side; but to accept what is truth and experience in both these books, and to face the fact that there is more barbarity in at any rate some of the gentlemen of Kenya than there should be (and certainly much too much bad law among the Kenyan lawyers) as well as the fact that Africans are still far more primitive than left-wing intellectuals care to admit, seems the only sensible deduction. Clearly the Africans require time to come to political maturity and agricultural proficiency, and need the guidance and help of Europeans in the process—but is this a job that can be left entirely to Mr Lipscomb's neighbours and friends? The reasons for a firmly negative answer are to be found in Mr Lipscomb's engaging and truthful but one-sided chronicle as well as in Mr Evans's often annoying and plainly partisan reporting.

The Terrible Ifs

GALLIPOLI.

By Alan Moorehead.

Hamish Hamilton. 384 pages. 21s.

GALLIPOLI takes on in retrospect an air of tragedy, but never one of futility. Victory always seems to be only a hilltop, fifty yards or a few lives away. Perhaps that was all that stood between the Allied Forces and Constantinople. The prize was not simply a town won or a country knocked out of the war. It might have broken the strategic deadlock in France; it might have shortened the war. In Sir Winston

Churchill's phrase "the terrible Ifs accumulate."

Because it was not an empty blood-letting, the campaign never loses its fascination. Many have written of Gallipoli and for many of them it is not smothered by the dark futility of the battles on the Western Front. But none has written so well as Mr Moorehead. He has built his book on the accounts and controversies of others, but he sees the campaign in the round, no detail has escaped his eye and his words are full of sympathy and life. The only criticism that can be levelled at Mr Moorehead is his bias—a very natural one in an Australian—towards the doings of the Anzacs, related sometimes at the expense of the equally brilliant deeds of the British and French forces. But may not his emphasis be right? This was a young man's war where hopes ran high almost to the end; the Anzacs were above all young, untried soldiers. Mr Moorehead is not merely content to recreate their exploits. He shows what they were thinking and how the subtle changes in morale occurred. He has been well served by his publishers, for the book is extraordinarily well printed, and illustrated by maps and photographs. In short, this is an excellent book. It deserves superlatives.

Failure at Gallipoli was built on a series of missed opportunities and of slightly wrong decisions. No one man, no single order was completely to blame. Perhaps the most important decision was not made at Whitehall but on board the *Queen Elizabeth* at Lemnos, where Sir Ian Hamilton and Admiral de Roebuck conferred. Accounts of the conference differ. The soldier, Hamilton, seems to have thought that the initiative in deciding that the Navy could not force the Dardanelles alone came from the admiral, while de Roebuck's message to London suggests that it was only after he had heard Hamilton's proposals on the landing of troops that he decided to abandon the naval attack. But what is clear from this incident and from the mistakes made in the land attack was that the failure was a failure of command. The senior admiral faltered; the subordinate generals lost touch with their troops and the battle. They were the wrong men; they were perhaps too old. But the final reason for defeat may lie in the elusive character of Sir Ian Hamilton. Brave and imaginative, he lacked ruthlessness. Behind him stood Kitchener, throwing too great a shadow on his actions, and Kitchener was steadily losing power in the Cabinet. On the Turkish side of the hill stood two men who did not fail, Liman von Sanders and Mustafa Kemal. Campaigns are won as well as lost and these men won theirs.

Little remains: a few memories, a few lessons on amphibious warfare and at Gallipoli, as Mr Moorehead says at the end of his book, "often for months at a time nothing of any consequence happens, lizards scuttle about the tombstones in the sunshine and time goes by in an endless dream."

Master of the Middle Way

THE AGE OF MACKENZIE KING:
The Rise of the Leader.
By H. S. Ferns and B. Ostry.
Heinemann. 368 pages. 25s.

IN the thirty-eight years since the First World War, the Liberal Party has been in power in Canada for twenty-eight. For twenty-two of these Mackenzie King was Prime Minister. In this book, the authors, both Canadians, working at the University of Birmingham, have made a study of his early formative years in an attempt to elucidate the secret of such unprecedented and tenacious political success. What were the forces that shaped Mr King's "conception of what politics is about"?

Such a study is of undoubted interest, and the authors have explored numerous important firsthand sources in search of data bearing on the fundamental questions they raise. Unhappily the air of malicious flippancy with which they seize on any fact or any interpretation discreditable to Mr King gives the reader an uneasy impression that the selection of evidence is biased and the findings unfair. This is a pity, because the writing is lively and highly readable, and the authors address themselves to problems of considerable moment in considering the special characteristics of Canada, notably the country's constant preoccupation with the "orbit of the United States"; the "presence of so many traditions" with "the absence of any tradition common to all Canadians"; and the impact in Canada of the universal problems of industrialism.

They are disappointingly less successful in conveying an impression of Mr King's mind and character, unless, indeed, he was merely the "impersonal, secretive, political technician," the featureless, political calculating machine they depict; a brilliantly effective parliamentary politician, but one, they imply, whose methods and objectives revealed deliberate and consistent hostility to wage-earners. Mr King's belief in conciliation is decried as the ultimate betrayal, a means whereby workers are hoodwinked into accepting exploitation. The case is provocative, but it is not proven. Admittedly, critics at the other extreme regarded Mr King as a "troublesome radical." Pursuing unheroically the middle way, using the arts of persuasion, "soft" instead of "hard" tactics, is not necessarily to "play both ends against the middle." It may be the necessary and useful process of democratic give and take. Notwithstanding the contrary views of Mr Ferns and Mr Ostry, there is surely value in the achievement of some measure of social harmony, of holding back a country from the abyss of antagonism threatened by the "enormous social tensions of industrialism," even if this can only be done by the "political quietism" so bitterly described: "In retrospect doing nothing looks better than doing something only because Mackenzie King's more dynamic rivals were so hopelessly bent on fatal forms of activity. Mackenzie King had no policies which led anywhere, but he

had technique. He resembled an engineer in charge of a great powerhouse. Most of the time he did nothing, but he knew how to do nothing and why he was doing it." In fact, the record of the Liberal party in Canada under Mr King's leadership is one of constructive achievement.

It seems to be Mr King's fate to evoke violently controversial books. It will be many years before his role and his quality can be appraised in true perspective in a definitive biography, but meanwhile this book whets anticipation of the official biography.

Behind the Red Tape

THE CIVIL SERVICE: *Some Human Aspects.*
By Frank Dunnill.
Allen and Unwin. 226 pages. 18s.

PARKINSON'S Law applies to books about the civil service as much as it does to the service itself. But apparently demand keeps up with supply; there has been no clipping; and Gresham's Law is not yet relevant. Mr Dunnill's book follows a known pattern, which is determined by the nature and education that make the good civil servant. It is based on experience rather than research, and thus tends to be discursive, a little short on quantities and proof, and blessedly willing to assert facts without relying on authority. There are no footnotes and few references: in such a book this is a virtue; one man states his views and takes full responsibility for them.

The book has another civil-servant-like quality: the author writes most and best of what he knows, but feels a duty to sketch in a good deal of rather second-hand background about everything else that civil servants do. This is well enough done, and accurate, but can be found elsewhere. It has not the authority of Mr Dunnill's exposition of his main theme—the origin, training and methods of work of the great middle-class of the service, the so-called Executives, the real *ronds-de-cuir* on whom cartoonists and citizens alike rely.

Mr Dunnill treats his subject with humanity and accuracy. As a skilled ecologist, he sets his civil servants in their surroundings and describes their life. He is fond of them, but aware of their faults. He analyses very clearly the origins of all that we associate with the phrase "red tape"; at times, perhaps, a little too clearly, since his categories are sharply defined and the contrasts between one kind of civil servant and another are a little more definite than they seem in real life. But, if anyone wants to see the truth behind the cartoon (or the irritating letter he has just received), he cannot do better than read Mr Dunnill.

His remedies, like his diagnosis, are undramatic. They mostly consist of more and better training, catching the executives while they are young and keeping them supple and interested in their work. The knot of red tape is not a Gordian one. But, as the service's

size and scope of work increase, it becomes more important that the public and the civil servants should understand each other, and that the word "service" should have a real meaning. This is the moral of Mr Dunnill's book.

The Lettered Amateur

THE ENGLISH SENSE OF HUMOUR.
By Harold Nicolson.
Constable. 208 pages. 15s.

SIR HAROLD NICOLSON is not only a delight to read: he is a lesson to our age. In the field of biography and literature, no one could be more professional; as a general essayist, he is the last and happiest survival of the lettered amateur. None of the trappings of research for him; yet there is plenty of learning. His sources are pleasingly secondary and selected (in a recent book he disclosed his technique of writing a personal index in each book he reads, so that a tour of his shelves provides him with chosen references on any subject); and they are used to illustrate a long knowledge of humanity. This is a collection of essays and lectures written over the last ten years. They are diverse in weight and subject, but all alike are stimulating and well written. His essay on the English sense of humour is the longest and most ambitious, but not perhaps the most successful. It quotes a number of

Announcing

MONEY, INTEREST, AND PRICES

An Integration of
Monetary and Value Theory
by Don Patinkin

The Eliezer Kaplan School of Economics and Social Sciences, The Hebrew University, Jerusalem.

Developing monetary theory by a general-equilibrium analysis of the commodity and bond markets—in preference to the more usual partial-equilibrium analysis of the money market alone—is the central concern of this book.

The text of the book is designed for the general student of monetary and employment theory. For the specialist, the book also contains a Mathematical Appendix and Supplementary Notes and Studies in the Literature.

Recent
SOVIET ECONOMIC GROWTH
edited by Abram Bergson

ROW, PETERSON AND COMPANY
Evanston, Ill. White Plains, N.Y.
U. S. A.

authorities (always without detailed references, to preserve the author's amateur status) and proves... what? Nothing very new or very unfamiliar, but it is a pleasant analysis of what *Punch* used to contain and, more dubiously, why.

In two other essays Sir Harold appears more professionally. One is a sympathetic account of Tennyson's two verse-writing brothers, Frederick and Charles—a by-product of his book on the poet. Another is a comparison between Swinburne and Baudelaire, whose life-story and circumstances showed many points of similarity. Sir Harold picks on the points of difference and concludes that Swinburne was right when, in his old age, he said that he never had really had much in common with Baudelaire.

There are brief, sensible and evocative pieces on the health of authors (a lecture to doctors on the physical and mental concomitants of inspiration), the practice of biography (a piece of lapidary commonsense) and Alexander the Great (shown to the readers of *Life*). Finally, and best of all, there is an admirable lecture on nature in Greek poetry. It is the kind of subject that shows the lettered amateur at his very best. Sir Harold knows the classics better than most of his generation (though he acknowledges his debt to cribs), and can illuminate his knowledge by a rare experience of European literature, of countries and of men. This lecture is short, but all roses.

Pious Record

THE FIRST FIFTY YEARS OF THE RHODES TRUST AND THE RHODES SCHOLARSHIPS, 1903-1953.
Edited by Lord Elton.
Blackwell. 282 pages. 27s. 6d.

AMONG the illustrations in this pious but lively record there is a reproduction of a *Punch* cartoon: across a sacred Oxford quad strolls unconcerned a young gentleman upon whom, from a dark sky, one shaft of sunlight strikes. From a pair of sober college friends, keeping well off the grass, comes the caption: "Rhodes Scholar, no doubt!" Perhaps, indeed, the young gentleman in question was one of the Rhodes scholars about whose testimonials a Balliol don once exclaimed: "Every one of these men is a cross between the archangel Gabriel and C. B. Fry." It would be more pleasant to think of him as the youthful Senator Fulbright, who has come nearer than any of his fellow scholars to matching the vision of the founder, by harnessing the powers of the United States Congress to achieve in the modern world a goal attainable in 1902 only by personal imagination and private bounty.

This jubilee history may entertain a wider public than the "old boys" for whom it is primarily intended. The contributions by Sir Carleton Allen and the late Sir Francis Wylie may answer the now traditional Oxford question: "What on earth is Rhodes House for?"

They also play gently with some of those tea-cup storms ("Which college?" "What degree?" "What about 'colour'?" "What about...") which look so minor today but which must have bulked large when a magnanimous scheme had to be adapted to the habits of a conservative academic society. Yet never from the first was there any prospect of the Rhodes scholarships figuring as yet another lost cause. The present survey is sparing of individual praise, but a record which includes one O.M., one Nobel Prize, twenty-four heads of universities and a prize-winning crop of public servants must testify to the soundness of both selection and indoctrination. Most gratifying of all, to those who nourished the Rhodes Trust in its infant years, must be the number of comparable fellowship and scholarship schemes directly or indirectly influenced by the seminal notions of that Drake-like figure so oddly referred to, in these respectful pages, as "Mr Rhodes."

Oxford readers in particular will enjoy this allusive chronicle. But Cambridge readers, too, may derive from it a certain saturnine satisfaction.

Wit and Wisdom

MISCELLANY-AT-LAW.
By R. E. Megarry.
Stevens. 431 pages. 25s.

THE best way to read this book is to turn first to the index, upon which incalculable care and wit have been lavished. Select any one of dozens of intriguing entries and then read the scintilla of legal wit or sagacity or absurdity to which it relates. For example, among the C's we find: "chameleon, bill of lading as"; "cleaver, cook's head divided by"; among the D's, "dead hand slaps living body"; among the E's "Elijah's mantle, coupons for" and "Eve not condemned unheard"; among the F's, "fish auctioneer's wedding publicity" and "full bottomed wig stopping Blackfriars Bridge." The quality remains the same down to "zoological gardens, camel's hair collected in."

Mr Megarry has performed the extraordinary feat of retaining in his mind over the years and setting down a vast corpus of legal entertainment. The humour of the lawyers, like that of the politicians, has to be heard in its environment and away from it is in danger of falling flat. Mr Megarry, who can even extract a laugh from the Rent Acts, has skillfully created the setting in which his collected gems may sparkle. It will be recalled that among those on Ko-Ko's little list was "that nisi prius nuisance who just now is rather rife, the judicial humorist." Those who have suffered from judges anxious to preserve their reputations as judicial wits will be relieved to hear that few of the real professionals occupy much space in this book and that at least one of the most trying does not figure at all. In any event, the book is not concerned only with humour. All lawyers will read it as a matter of course, but it will be

THE FATAL DECISIONS

Six decisive battles of World War II as seen by the vanquished.

The Battle of Britain
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WERNER KREIPE
The Battle of Moscow
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"A readable and most interesting book which adds considerably to our knowledge of the last war."—
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(*Sunday Times*).
Book Society Recommendation, 25/-

HENRY CECIL

Friends at Court

"Very funny"
NEWS CHRONICLE
12/6

AGNES KEITH

BARE FEET IN THE PALACE
"Life in a tropical island (the Philippines). . . Her attitude to life is a credit to our civilisation. . . And her books deserve their popularity."—RAYMOND MORTIMER
(*Sunday Times*). 18/-

Monday

CONSTANCE TOMKINSON

Les Girls

The entertaining reminiscences of an ex-Folies Bergère chorus girl, in which she surveys the insecurity, gaiety and hard work of her life as a trouper.

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MICHAEL JOSEPH

burrowed, and even bought, by thousands whose interests or occupations carry them into solicitors' offices and counsel's chambers, and even by many whose contacts with the law are happily rare and light.

A Cynic in Europe

INTEGRATED EUROPE?

By Michael T. Florinsky.
New York and London: The Macmillan Company. 192 pages. 24s. 6d.

"EUROPEAN INTEGRATION" is a term that has come to mean all things to all men and frequently several things to the same man. Mr Florinsky, after a facile, entertaining and in places superficial survey of the origins and accomplishments of the European and North Atlantic organisations which have included "integration" or "unity" among their objectives, reaches the conclusion one would expect: that little progress has been made toward real unification, but that much has been done to solve the underlying problems that fed the drive toward unity. The programme of rebuilding the European economy after the devastation of war and the creation of organised military strength has been a success. Few would quarrel with this broad conclusion. But Mr Florinsky takes such obvious pleasure in puncturing the balloons of those who have overstated the case for European unity, and its achievements, that his strictures are apt to be discounted by those for whom they are intended.

By emphasising how far short of real integration Western Europe still is, economically, politically and militarily, and by testing international organisations not by what they have achieved but by how far short they have fallen of the most ambitious sentiments in their charters, Mr Florinsky convincingly demonstrates that enthusiasm "on the banks of the Potomac" and among a dedicated minority in Europe has far outrun accomplishment. But he has failed to give the general reader any real understanding of the radical change in the business of international relations that has taken place since the war. All kinds of problems, which not long ago were jealously guarded national prerogatives, now form the daily grist of Nato and the OEEC. Mr Florinsky's more acid paragraphs are reserved not for these two organisations, both of which he is prepared to find useful, but for the "supra-national" organisations such as the Coal and Steel Community and the stillborn European Defence Community. This is understandable, since only those organisations make any pretence of changing the basic pattern in Western Europe from one of co-operation among sovereign states to that of a new federal system. As Mr Florinsky points out, the Coal and Steel Community is a living testimonial to the difficulties of seeking to integrate two sectors of the economies of six highly industrialised states while leaving the other sectors of economic life untouched—his doubts about the merits of further

experiments with the "sector" approach would find strong support among the most ardent "Europeans." But the radical change brought about by the Coal and Steel Community, the shifting of the burden of proof so that those who want to interfere with the operations of the common market must prove their case, rather than that each step towards its creation should be the subject of prolonged inter-governmental negotiation, is buried beneath complaints about the complexity of the treaty.

"Integrated Europe?" is provocative on every page. It also compresses into short and readable form a mass of information about the jungle of European organisations that have sprouted, or come near to sprouting, since the war. But the serious student may be put off by minor inaccuracies and the heavy reliance on secondary sources for facts and, at times, opinions. And some may be perplexed by the exuberance of the cynicism.

Communication Unestablished

STUDIES IN COMMUNICATION.
Contributed to the Communications Research Centre, University College, London.
Secker and Warburg. 189 pages. 21s.

IT is not easy to decide how seriously to take the rather fashionable subject with which this book is concerned. Scientific advance sometimes occurs through the meeting of different academic approaches to a single subject, but it cannot always be expected—especially when the subject is so vaguely defined that it is only at a fairly high level of verbal abstraction that it can be said that the approaches are to the same thing. "The problems of human communication" is a pretty comprehensive heading, since communication might be said to pervade all human behaviour.

Perhaps the most defined section of "communication theory" is concerned with the quantitative description of the amount of information that can be passed along a telecommunication channel. The work of Wiener and Shannon in this field has not only had a significant effect upon the theory of telecommunication design, but has stimulated much wider discussion in other scientific fields—among which the setting up of a Communication Research Centre at the University of London, from papers presented to which the present book is assembled, may perhaps be counted. These papers, some of which in themselves are highly interesting even to the ordinary reader, include contributions from the fields of philosophy, biology, economics and management, medicine, the fine arts, ancient history, physiology and semantics.

The reader will not necessarily come away from these, however, convinced that they are talking about what could, for practical purposes, usefully be considered the same thing. Professor Ifor Evans's introduction suggests as the main aspects of human communication

the study of symbols, of the organisation of the individual for communication, of social factors in communication, and of machines that transmit, process, and store information. There may well be here, as Professor J. Z. Young has suggested, "a new field for study and research," and the new centre may indeed help to break down the excessive specialisation of faculties within the University; but one should perhaps not expect much more for some time than such desirable indirect results.

Shorter Notice

SCIENCE UNFOLDS THE FUTURE.

By J. G. Crowther.

Frederick Muller. 255 pages. 18s.

A number of books have been appearing in recent years in which scientists have attempted to forecast future developments in scientific knowledge and its exploitation. In a more specialised direction, the problems of raw material resources have been discussed, particularly food and energy. Some of these accounts have been despondent, not to say minatory, in tone, on what may be called neo-Malthusian lines. Here, from a school of belief that puts Malthus among the arch-heretics, is a work of unclouded optimism. The author, a well-known scientific journalist, surveys chapter by chapter a number of the more topical fields of scientific and technological endeavour, radio astronomy, rocket engineering, agriculture, and, of course, automation. The treatment is popular and readable without the breathless superlatives found in some works of popular science. His own sources, a list of which is given at the end of each chapter, appear themselves to be of the popular rather than the strictly scientific kind. In keeping with the prominence given to Soviet work in the text, they include a number of Soviet official publications and, oddly also, the *Daily Worker*. Like many such books, this is at its weakest in dealing with concepts—especially those at the frontiers of research—as for instance "living matter," which in a chapter on the "origin of life" is treated uncritically and without definition.

Books Received

INSTITUTIONS FINANCIÈRES.
By Maurice Duverger. Presses Universitaires de France. 452 pages. 880 frs.

DIRECTORY OF SHIPOWNERS, SHIPBUILDERS AND MARINE ENGINEERS, 1956.
Tothill Press. 962 pages and 235 pages of advertisements. 40s.

BANKERS' ALMANAC AND YEAR BOOK, 1955-56.

Thomas Skinner. 1,634 pages. £4 5s.

WORLD INDIVISIBLE: *With liberty and justice for all*.

By Konrad Adenauer. Translated from the German by Richard and Clara Winston. Allen and Unwin. 152 pages. 10s. 6d.

HANDBOOK OF EUROPEAN ORGANISATIONS. Published by the Secretariat-General of the Council of Europe, Strasbourg. London: Her Majesty's Stationery Office. 180 pages. 5s.

THE SOUTH AFRICAN SUGAR YEAR BOOK: 1954-55 edition.

The South African Sugar Journal, Durban. 239 pages. 10s.

LONDON FOR EVERYMAN.

By William Kent. Revised by John Freeman. Dent. 303 pages. 8s. 6d.



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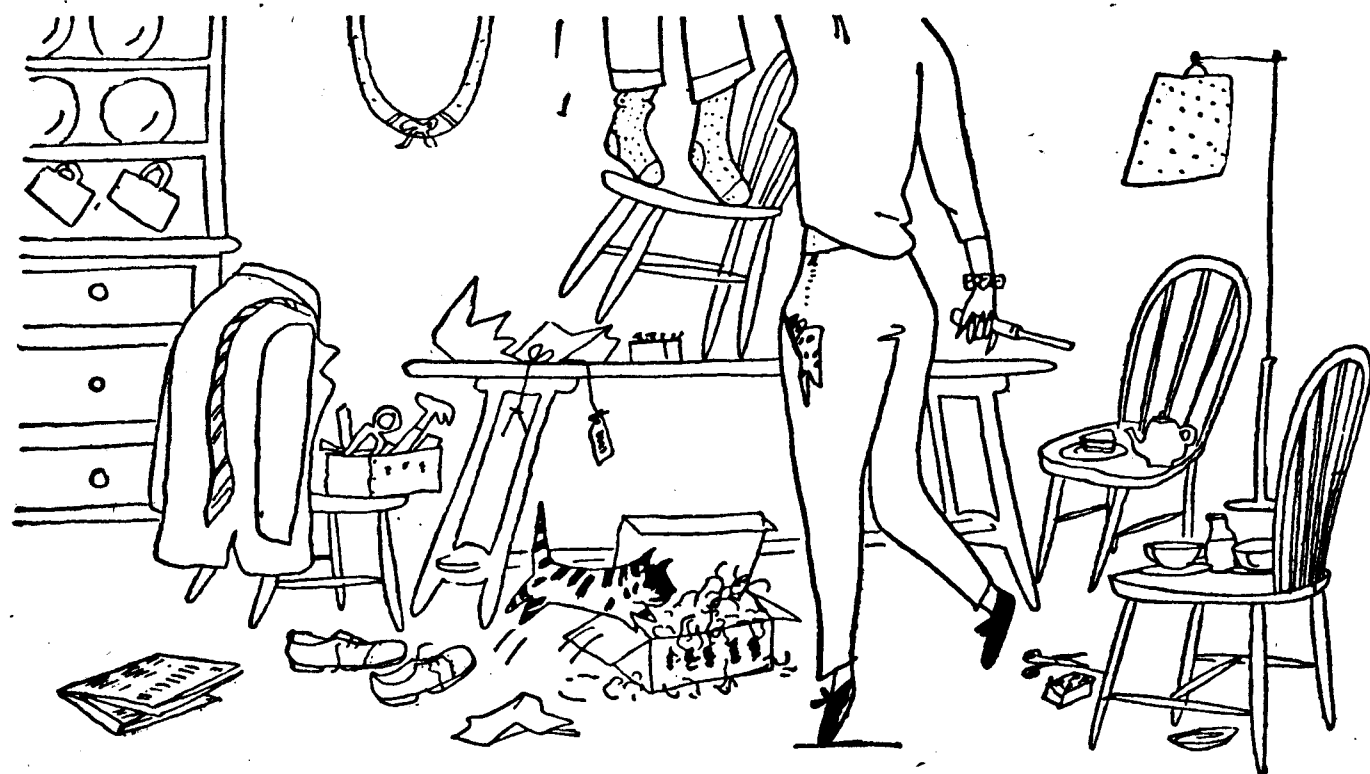
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the things they say!



The builder told me that the wood for our house came from Sweden. I wonder why we have to import so much timber. You'd think by now that you people who make plastics would have developed other materials to take its place.

Then we could cut down imports.

But plastics are already being used a lot.

Yes, I know — switches and lighting fittings and so on. But why stop there? What about wood for doors, for instance? If we made plastic doors at home, surely we could save a pretty penny?

You're wrong there. For that particular job what's better than wood?

What you're saying, then, is that plastics can replace ordinary materials only to a limited extent?

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All right, Mr. Know-all. I should have known better than to marry a man who's in the business.



Imperial Chemical Industries Limited

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.

Labour Frictions

Washington, D.C.

THE cynics who had reservations last December at the wedding feast of the two American trade union organisations, the American Federation of Labour and the Congress of Industrial Organisations, had their doubts confirmed last week. At a meeting of the Executive Council of the reunited AFL-CIO, the first to be held in the softly luxuriant board room of the brand new headquarters in Washington, there was an open dispute between Mr George Meany and Mr Walter Reuther. Since it was the willingness of Mr Reuther, president of the CIO, to serve under Mr Meany, president of the AFL, that made the merger possible, this seemed to justify predictions that the arrangement would not be happy for long.

Absurdly enough the breach has not occurred over any of the domestic conflicts which are testing the new structure but over foreign affairs. In almost all other matters Mr Meany and Mr Reuther have found themselves to be natural allies, whose personal positions have both been strengthened by the merger. Both believe that trade unions should concern themselves with wider social and political objectives than immediate economic rewards for their members. This puts them on the opposite side of the fence to, among others, Mr David McDonald, of the United Steelworkers, an industrywide union originally belonging to the CIO, and Mr Dave Beck, of the Teamsters' Brotherhood, the largest AFL union, which is fast becoming a catch-all for anybody who is open to persuasion from a lorry-driver.

The merger with the CIO unions enabled Mr Meany to press harder for his own objectives—political action by the labour movement, organising drives to extend membership, strong stands against racketeering and against race discrimination in trade unions—which the more conservative AFL craft unions find difficult to swallow. Mr Reuther also has a broader base from which to develop his ideas. Although nominally stepping down in rank, he is happier out of the narrow confines of the CIO, in which he was for ever locked in battle with his perennial enemy, Mr McDonald. With the merger the latter has now lost his pivotal status, which depended on his perpetual threat to split the CIO and make independent terms with the AFL. Moreover, within the new organisation, Mr Reuther heads the industrial union department which groups together his old CIO followers and gathers fresh strength from industry-wide unions formerly in the AFL.

In addition, the CIO's leaders have had little reason in the last six months to accuse Mr Meany of the lack of courage of which they habitually convicted the old AFL.

On two matters about which the CIO felt deeply, the racial discrimination and the criminal tendencies which were found in some of the AFL unions, Mr Meany has taken big risks in order to put his position beyond doubt. Overriding the misgivings of those of his staff who are accustomed to using the velvet glove in matters of prejudice, he has lambasted the White Citizens Councils, which have been formed in southern states to preserve racial segregation. Despite the fact that many local southern labour leaders, burning from the chronic unpopularity of trade unions in the region, have sought respectability by serving on the councils, Mr Meany bluntly described them as "Ku Klux Klans without hoods." This readiness to ride out the bitterly adverse reaction of many union members, which included threats of refusing to pay union dues and of founding a Southern Federation of Labour, and to accept the inevitable short term setback to the labour cause in the South, was found more praiseworthy by the CIO than by some sections of the AFL.

★

Mr Meany's stand against racketeering has brought him into direct conflict with the Teamsters' Brotherhood. Ironically last week's special council meeting was summoned in order to endorse Mr Meany's intention of expelling the teamsters unless they renounced their mutual aid pact with the International Longshoremen's Association, the union which is most provenly criminal and which was thrown out of the AFL for that reason even before the merger. The pact carried the economic opportunism of those who advocate limited objectives for trade unions to a logical conclusion, since it would have enabled a single unpolitical labour group to exercise a stranglehold on the distributive system of the country. In that form the pact drew support for Mr Meany's policy of tough leadership from even the most conservative and independent unions, with the result that the pact was dissolved before the meeting and time was left to discuss the more divisive topic of international affairs.

But this topic only set alight the restlessness between the two leaders, which has been growing despite their partnership. Although the CIO veterans are on most issues satisfied with Mr Meany, personally many of them are exasperated with his following in the AFL. Both the famous organising drive to extend union membership, which was to be the luscious first fruit of the main merger, and the follow-up mergers of state and local labour councils, which are essential if political activity is to be effective,

have become bogged down in the old arguments over the competing jurisdictions of various unions, with the difficulties being made in the main by old AFL members. On his side Mr Meany, who has been doing his robust best to help those causes which are close to the CIO, is becoming increasingly suspicious of the empire which Mr Reuther is building up in his industrial union department. This now has seven million members, two million more than Mr Reuther's CIO contributed to the merger. As its recent legislative conference in Washington showed, this department is developing its own political programme, its own public relations and its own foreign policy.

It is these accumulated irritations which explain the rather ridiculous schism over international relations. Moreover this is the one sphere in which Mr Meany's leadership, instead of lessening prejudice against the AFL, is causing alarm and embarrassment among its partners. The immediate dispute is over the correct attitude to adopt towards Mr Nehru. Mr Meany, who is unfortunately deeply influenced in this by his *eminence grise*, a dogmatic ex-Marxist called Mr Jay Lovestone, has publicly consigned the Indian leader and Marshal Tito to the other side of the barricades in the cold war. This has revived bitter memories of the completely contrary tactics which the AFL and CIO representatives in Europe and Japan pursued towards left-wing trade unions there. If Mr Meany's original speech shocked Mr Reuther, the latter's remarks, when he went to India to try to pick up the pieces, caused deep offence. It was Mr Reuther's repudiation of Mr Meany's right to speak on behalf of American labour on such a matter that led to the explosion of personalities in the new board room. The forces that are holding the merger together are probably far too strong to be reversed, but it would be very strange if it all came to pieces over Mr Lovestone and Mr Nehru.

Foreign Aid Review

THE President's favourite remedy for any uncertainty—a special commission to review the whole question—backfired against his foreign aid programme. For Congress thought of adopting his remedy as an easy excuse for postponing action, until after the election, on his request for the increased funds and the increased powers which he insists are essential this year. The President himself had already promised to ask a group of independent citizens to study the long-term implications of foreign aid; a similar group led by Mr Harriman provided a solid foundation for the original Marshall Plan. But the danger was that Congress would set up its own separate group, to decide whether the United States was getting value for its foreign aid dollars; this might look at the problem from a more political angle and come up with a different answer. This could only stimulate that controversy between the legislative and executive branches of the government which the commission of inquiry was supposed to damp down.

The danger was lessened, if not entirely averted, last week when the President began to use his personal influence on behalf of his request for funds and against the idea of a congressional inquiry. After he had talked to Senator George, Representative Richards and other party leaders,

and had put in a strong plea for foreign aid at his press conference, there were at last signs of real activity in Congress. There is, however, no chance that the full \$4.9 billion, nearly twice as much as was appropriated last year, will be granted. But the Administration's difficulties may be lessened now that Senator George has decided to retire at the end of this session. For he has recently been inhibited in his habitual and vital support for the Administration's foreign policy by the prospect that he would have a hard fight for re-election next autumn against a rabid isolationist.

The Administration has its own dilatoriness to blame for its difficulties. It was clear months ago that the foreign aid programme needed to be thought out again, particularly where the division between military and economic aid was concerned, in the light of last year's Geneva conference and the subsequent Russian moves. This year's programme was admittedly marking time until future policy was decided. Since so far little seems to have been done about deciding future policy, it is not surprising that Congress showed signs of preferring to mark time before handing out the money rather than after. The most interesting development, however, is that practically everyone is taking it for granted that foreign aid definitely has a future.

Primaries in Season

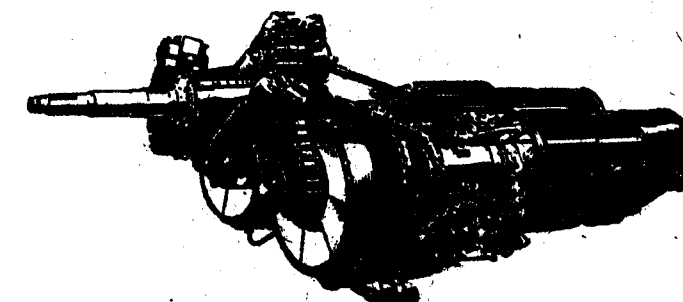
THE recent crop of primary elections, averaging three a week, has given voters in a number of states opportunities of indicating with more or less clarity which of their party's presidential possibilities they prefer. But no startling results have been gathered. Republicans all "like Ike," even in Indiana, where it was feared that the agricultural depression might have turned the farmers against him. Among the Democrats, Mr Stevenson and Senator Kefauver have met directly only twice, in Alaska and the District of Columbia, both holding their first primaries. In both Mr Stevenson won handsomely, and for the moment the rot in his candidacy has been checked. But the real tests come in Oregon next week, and in Florida and California after that.

The excitement has been in Texas, which holds no presidential primary, but chooses its delegates to the Democratic National Convention at party conventions held at local and state levels. These meetings began last Saturday, and at once it became clear that Senator Lyndon Johnson would control the Texas delegation at Chicago next August. His unexpectedly easy victory was over the Governor, Mr Shivers, who in 1952 refused to support Mr Stevenson and led the Democrats-for-Eisenhower who gave the state to the Republicans for only the second time in electoral history. Senator Johnson is the foremost advocate of party unity, both at home and in Washington. His triumph almost, if not entirely, removes the danger that the southern wing of the Democratic party may split off from the main body at the convention over the question of racial segregation and states' rights. Mr Johnson's success also puts him out in front of the other dark horses who are entered for the Democratic presidential nomination, even though he, like President Eisenhower, had a serious heart attack last year.

But while moderation was being confirmed in Texas, re-

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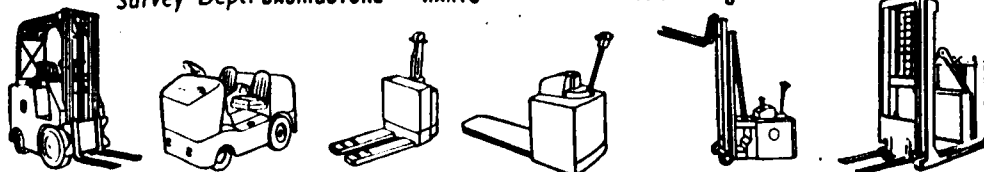
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action was winning in another southern state, Alabama. In a contest for membership of the Democratic National Committee, the Governor, Mr Folsom, whose office should enable him to dominate the party machine in the state, was heavily defeated by a violent advocate of racial prejudice. Other candidates who had Mr Folsom's support went down with him. The issue was complicated by his personal and administrative failings, but nevertheless he was penalised mainly for his refusal to defy the Supreme Court's ruling against racial segregation in schools.

Missiles Break Through

FROM A SPECIAL CORRESPONDENT

IN recent weeks the government policy of maintaining excessive secrecy about new weapons has been replaced by something like official exuberance on the subject. Sceptics note that the enthusiasm is about future prospects rather than present deliveries and scientists insist that long-range missiles are still far from being perfected. Nevertheless, these announcements, even if based more on faith than on fact, have given rise to an atmosphere of optimism and have also—intentionally or not—taken much of the heat out of the current congressional inquiry into the "delays" and "inadequacies", particularly in long-range bombers, of the Department of Defence's air programme.

First and most significant was an assurance that it is now feasible to produce reasonably small thermonuclear warheads. This means that the engine and fuel supply needed to propel a guided missile can be substantially reduced in size; hitherto both were staggeringly large. Next came the announcement that the Convair Division of the General Dynamics Corporation, the company which has the Air Force contract for developing the projected Atlas missile, will shortly construct a \$40,000,000 plant, which will employ 6,600 workers by 1958; analysed, this means only that the company will build a plant which some day will build a missile, but the 1958 date is exciting. Then came the estimate from the Secretary of Defence, Mr Wilson, that by 1960 some of the Air Force's present wings of bombers, manned by human beings, will have become wings of missiles. He has now also announced that the new heavy bomber, the B-52, is to be produced faster and in greater numbers than had been forecast.

Even before this, the Defence Department had allowed the Air Force to make two extremely interesting disclosures about weapons not yet in production. One concerned the new Lockheed jet fighter plane, the F-104A or Starfighter, which is officially asserted to be "much the fastest" of manned aircraft, and is informally described as developing about twice the speed of sound in level flight. This is of such profound interest that the Air Force is already thinking of how this phenomenal design can be adapted for all-weather or other types of fighter, even though the addition of special equipment will presumably reduce its speed somewhat. The attainment of 2-mach velocity, that is, a speed of about 1,500 miles an hour, is of course due partly to the design of the aircraft, to its stubby and extremely thin wings, its unusually high tail elevator, and its remarkable lightness (about half the weight of comparable planes) and partly to its new and extremely powerful J-79 engine.

The experts say candidly that aircraft and engine could go appreciably faster than they do; both have come up against the heat barrier, and a greater speed would after a time cause serious deterioration in both the airframe and the engine. In other words, it is now the metallurgists' turn to produce alloys which will push the heat barrier much further back and allow aircraft to attain still greater speeds. An impressive aspect of the present development is that, when the F-104 is at maximum speed (when, incidentally, it can attain its maximum rate of climb as well), the engine gains over half its thrust through the ram-jet principle. That is, the speed with which the aircraft rushes through the air automatically compresses, or "rams", the air as it enters the engine, and so does half the designer's work for him; this helps to solve the problem of fuel combustion, which is serious at 70,000 feet where oxygen is so rare.

The other interesting disclosure has a bearing on this question of upper-air propulsion, although its prime character is quite different. This is the Rocketdyne establishment which the North American Aviation company has tucked away in the Californian mountains, where the enormous blasts of the testing-engines will disturb as few people as possible; there are no tests at night since, even in Southern California, most people get their sleep then. The main purpose of the tests, several of which were shown to selected observers recently, is the development of very long-range missiles. The mere size of the instruments provides a clue to the intended range, which of course is genuinely secret, and thus the observers were not allowed to mention dimensions at all. The frequency of the tests at the numerous test-stands—several a day—suggests that components are being produced in a considerable quantity.

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This is a sudden development and can only be the outcome of that technological "break through" to which Mr Wilson referred some weeks ago, without giving details. He can hardly have been referring to improvements in metallurgy, in fuel combinations, and in guidance controls, which have been real but hardly radical enough to constitute a great jump forward. It is now clear that this must have been in work on the warhead itself, the whole reason for the missile. From published reports on the Germans' V-2 (the starting point of most long-range ballistic missiles), it is known that the delivery of a fairly large warhead requires a huge supply of propellant fuel; the ratio was nine to one and there has been no substantial improvement since then. To deliver a warhead a much greater distance would require a much greater fuel load—or else a smaller warhead. The atomic scientists have apparently supplied the answer by the latter route, that is, by delivering a warhead of great power packed in much smaller confines than were envisaged a year or two ago.

Meanwhile, however, research appears to be accomplishing the objective of reaching a distant target by a combination of propellant systems. A rocket engine for the Navaho missile is being produced at Rocketdyne. But the Navaho is known to be an air-breather, employing the ram-jet principle in some form. It must therefore be concluded that, in this case at least, the missile when ready will mount both a jet engine and a rocket; the latter will probably be employed for bursts of speed and even for occasional leaps into the extreme upper air where the jet cannot function.

The question of whether this method of breaking the speed barrier by breaking the height barrier can be applied to aircraft as well as missiles was raised at the F-104 demonstration, when that dazzling new plane was spoken of as one of the last aircraft of its type on the speed frontier. The intimation was that the engineers expect to achieve new speeds by new means, regardless of metallurgy, and it is difficult to see what new means are close at hand, unless it be supplemental rocket power. Protective devices for the human being, such as pressurisation of aircraft, are now so far developed that man can withstand both the strain of speed and the barrier of heat, provided that the metal alloys which safeguard him can withstand it. It is no longer the frailty of men, but the frailty of metals that limits speed in the air.

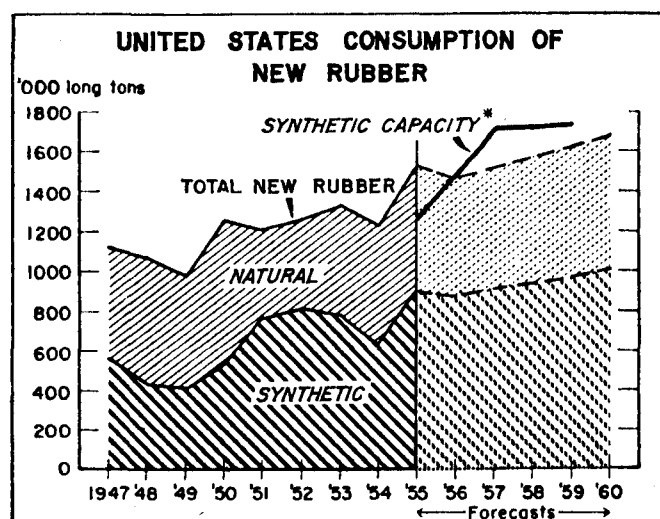
Policy for Rubber

SINCE April, 1955, when the synthetic rubber industry in the United States was transferred to private ownership, there has been a steady increase in its output. By the beginning of 1958, there should be enough capacity to satisfy the total demand which is expected in 1960 in America for both synthetic and natural rubber. These statements, contained in President Eisenhower's report to Congress last week, do not, as might at first sight appear, toll a death knell for the producers of natural rubber. For of the total American demand for new rubber, which is expected to rise at an average rate of 3.5 per cent a year,

of natural rubber. Exports of American synthetic rubber have already risen sharply from 13,000 tons in 1954 to over 70,000 tons in 1955.

In spite of the increased production towards the end of the year of the cheaper "oil-extended" variety there has been little change in American synthetic rubber prices since private industry took over. This stickiness in price in spite of a sharp increase in demand and the tendency to continue producing the various types of rubber in the proportions inherited from the government were questioned by the Attorney-General, in another report on private rubber's first eight months in power. In other respects, although it is clearly too soon to pass any final judgment, he finds little to criticise.

Of greater significance in the long run is the progress made in developing new types of synthetic rubber, in the hope of replacing natural rubber altogether. So far no synthetic in commercial production can take the place of natural in large lorry, bus and aircraft tyres. But the three major rubber companies have succeeded independently in synthesising from isoprene, a derivative of petroleum, rubbers which are claimed to have the necessary qualities. A special commission of the National Science Foundation has pointed out that this has now become a problem of industrial development, rather than one of research. While urging the government to consider whether it should, in the national interest, assist this industrial development, the special commission recommends—and the President agrees—that the government should in future confine its support to more fundamental research into polymers in general, of which rubber is only an example, and dispose of its present rubber research laboratories at Akron, Ohio.



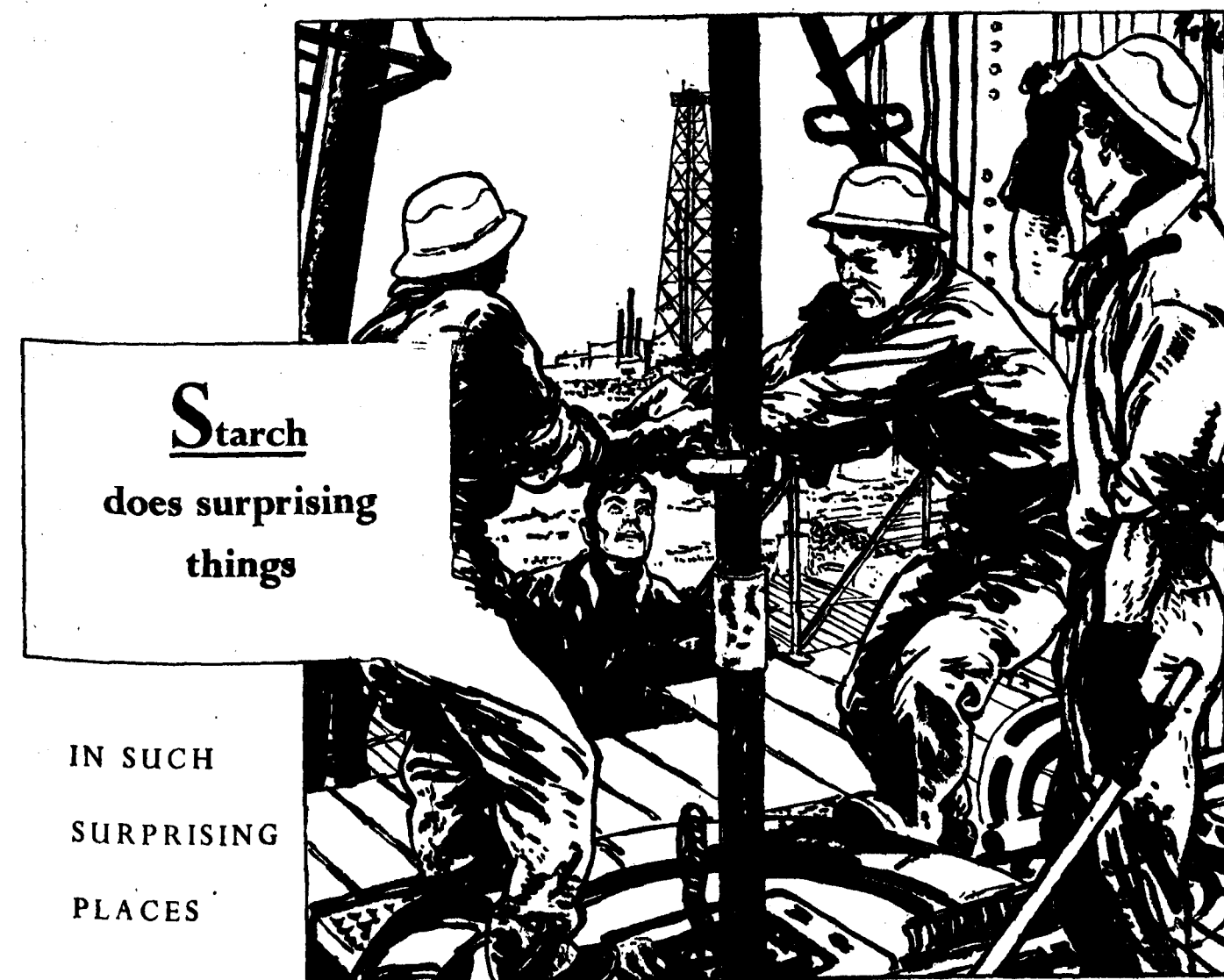
* Synthetic capacity includes GR-S, Butyl, Neoprene and N-Type rubber; the capacity given is on the assumption that the oil content of oil-extended rubber remains as it was in 1955.

35 to 40 per cent—at least until 1960—is likely to be for the natural variety. There is, indeed, more doubt in the United States whether world supplies of natural rubber, which are not expected to increase significantly by 1960, will be sufficient to meet this American demand. Consequently, the new American capacity for synthetic rubber has the dual role of insuring against a possible shortage of imports of the natural product and of providing synthetic for export to foreign countries, thereby enabling them to reduce their claims on the limited world supply

Saving the Soil Bank

WHEN the Democrats wrote a farm Bill which the President was forced to veto, they thought they had put an unplayable shot into his political court. But Mr Eisenhower returned the ball sharply, accompanying his veto with various administrative changes which may alleviate the plight of the farmers before they vote next November. The President then took the initiative, asking Congress to approve his soil bank scheme, under which farmers would be paid for taking out of cultivation land now devoted to surplus crops such as wheat and cotton. This was the only constructive provision in the vetoed Bill, and both parties agree that it offers some hope of eventually solving the problem of agricultural over-supply.

The Democrats, after much hesitation, decided that it would be unwise to refuse to go along with the President on this. He then added to their embarrassment by pointing out that the soil bank scheme had been delayed so long that crops were already planted and it could not benefit farmers this year unless they were allowed advances against promises to put land in the bank next year. The necessity of giving immediate help to the farmers had been the Democrats' main argument in favour of their original unsatisfactory Bill. Even so, they could hardly permit the Republicans to offer the farmers a political dividend just before the election. The House has therefore now authorised the soil bank, but not the advance payments. The new Bill puts



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grazing land as well as cropland into the bank and contains a number of other provisions which the Administration does not like. Many of them are left over from the vetoed Bill, including an increase in price supports for feed grains. But some of these objectionable clauses are likely to be eliminated in the Senate, where the Administration will also make another attempt to get the advance payments. In any case, the farm Bill can hardly be vetoed a second time.

Hot Fight in the Sunshine State

FROM A CORRESPONDENT IN FLORIDA

ON May 29th the Democrats of Florida will vote in a primary election to determine whether they will be represented at their party's national convention in August by delegates pledged to support Mr Adlai Stevenson, of Illinois, or Senator Estes Kefauver, of Tennessee, for the party's presidential nomination. The evidence which this election will provide of the relative popularity of the two candidates will be more vital to their future than the actual number of delegates obtained and both are campaigning vigorously. The voting promises to be close, for Senator Kefauver is gaining on Mr Stevenson's original lead, but in the end, a mixed group will probably be selected, with some delegates pledged to each of the two candidates.

The sources of Mr Kefauver's strength are as mixed and contradictory as is the political atmosphere in this farthest south of all states, which is becoming steadily more northern in its outlook as a result of the economic boom and the influx of new residents attracted by the perfect climate. The Miami area now resembles a north-eastern city politically, and there the Senator will have the support of many who consider his views more progressive than those of Mr Stevenson. Then Senator Kefauver is remembered gratefully by many Floridians as the fearless crime-buster who uncovered corrupt alliances between gambling interests and local politicians in Miami and Tampa when he was head of a Senate investigating committee. In cities where Negroes vote in large numbers, such as Jacksonville, Mr Kefauver is favoured over Mr Stevenson by the powerful National Association for the Advancement of Coloured People. At the same time, some conservative Democrats who regard Mr Stevenson as still the most formidable contender for the Democratic nomination are planning to vote for Mr Kefauver, in the belief that, if the convention could be manoeuvred into a stalemate between Mr Stevenson and Senator Kefauver, a more conservative candidate than either of them could be nominated.

In spite of his support among Negroes and left-wing Democrats, the Senator also appears to be developing considerable strength in the rural counties, where the traditions of the Old South and of "white supremacy" survive. He, much more than Mr Stevenson, fits the traditional rural folk conception of the "statesman." Mr Kefauver is tall and broad-shouldered; he warms to people as individuals and in the mass, immensely enjoys campaigning, and shows that he enjoys it; he speaks in a honeyed monotone, and in both public speech and private greetings conveys an impression of diffident sincerity. For audiences in Florida he stresses his small-town southern origin and his ardent supporters argue that at long last a Southerner has a real

chance to be President and that it is therefore disloyal to the South to oppose him.

Although some of Senator Kefauver's campaign tactics appear provincial, he is a sensitive and sophisticated politician. On the basis of his long public record, he is a consistent New Deal liberal, even on racial issues. When asked to sign the recent manifesto of southern Congressmen against the integration of Negro children with whites in schools, he refused, not on the ground that a Supreme Court decision must be obeyed, but simply because he did not believe in segregation. Indeed, he is a political phenomenon—the only southern politician with a liberal record on both economic and racial matters to survive politically. Senator Claude Pepper, of Florida, and Senator Frank Graham, of North Carolina, were eliminated from public life when they aligned themselves fully with the northern liberal wing of the Democratic party. Senators Lister Hill and John Sparkman, of Alabama, have consistent records of economic liberalism, but in public both have always taken the conventional southern position on race. Senator Kefauver's success in maintaining a position of national and integrated liberalism and yet continuously surviving in a southern constituency is proof that it would be dangerous to under-estimate him.

★

When Mr Stevenson first campaigned in Florida last February, Florida's leading politicians jumped on his bandwagon because at that time they felt that his nomination was a foregone conclusion. Men injured by the Kefauver investigations of several years ago are striking at Senator Kefauver through Mr Stevenson, but the latter's basic support is coming from those who admire his high qualities, who agree with his middle-of-the-road approach to the problems of the day, and who feel he offers the best chance of maintaining a semblance of unity between northern and southern Democrats. They emphasize that his approach to racial desegregation is more moderate than Mr Kefauver's. Mr Stevenson is making a valiant attempt to "limber up," to be "folksy." He is emulating the Senator in darting into cigar factories and fruit-packing plants to say "hello," and in doggedly trekking through the orange groves and around town squares. He has even gone so far as to ride in public buses from town to town. However, to the discerning it is apparent that he does not really relish all this.

The current election in Florida illustrates the blurred and ambiguous nature of much of American party politics, particularly in the South. Whoever wins the primary, whether it be Mr Stevenson or Mr Kefauver, he will not represent the opinion of the majority of Florida's Democratic voters, who are conservatives and really want neither of these two candidates. If the present sharp contest for the nomination had been foreseen early in March, when delegates' names had to be entered, and when Mr Stevenson's nomination seemed certain, a list of people unpledged to any candidate would have been filed and, in the opinion of competent observers, would easily have won. If in the early balloting at the Democratic convention the candidate to whom the Florida delegates are formally pledged does not move towards the nomination, then they will make alliances with delegations from other southern states to vote for a candidate more nearly in line with the conservative temper of Florida opinion.

Today, Florida is probably the most solidly middle class state in the Union. The Republican party is growing there

as the Democratic one-party system slowly disintegrates; most Florida voters are still nominally Democrats but there is little difference ideologically between them and Republicans. The one-crop counties producing the staples of the Old South like cotton and tobacco have declined drastically in relative economic and political importance. These were the areas of agrarian liberalism, and today these are the areas where the chief concern is to maintain white supremacy and frustrate the Supreme Court's decision against racial segregation. In recent years the cattle industry and specialised crops like citrus fruit and winter vegetables have grown enormously in importance and there is little sympathy for the old agrarian populism among the wealthier farmers of this type. Moreover, Florida is now more urban than rural; the central and southern parts of the state are studded with chambers of commerce and civic clubs. These towns are the centres of the tourist trade and are full of transplanted *rentiers* and pensioned old people from all parts of the United States. These groups fear inflation, while labour organisations, one of the main progressive forces in the Democratic party, are weak in Florida. Indeed, there are no important social or economic groups on the side of liberalism in the state. So when the final election comes, in November, enough conservative Democrats will probably cast their ballots for Mr Eisenhower to allow him to carry Florida again, as he did in 1952.

Thumbs Up in New York

THE opening of the New York Coliseum, a massive exhibition hall surmounted by a twenty-story office building, has brought a much-needed touch of Roman splendour to one of the more dingy parts of the city. It is hoped that eventually this building, which has cost \$35 million, will become part of a large-scale redevelopment programme, to include a new opera house, concert hall, schools, shopping centre and several housing projects, in a ten-block area on the west side of Manhattan Island, just west of Central Park. The Coliseum also has the more immediate objective of enticing back to New York the many trade fairs and conventions which have deserted the city in recent years because of the acute lack of exhibition space.

The 125,000 people who visited the Coliseum on the opening day had the choice of three exhibitions running simultaneously: an international motor show, in which British car manufacturers had taken the initiative and booked 60 per cent of the floor space; an international philatelic exhibition—surprisingly enough, not yet called a "stamporama"; and a national photographic display. The four floors, which together provide over 300,000 square feet of exhibition space, are entirely air conditioned to permit comfortable year-round operation even in New York's steaming summer. A plentiful supply of lifts, escalators and a ramp which permits large lorries to drive up with ease to the first floor should substantially reduce the usual high cost of setting up and tearing down exhibits.

Credit for the Coliseum, as for many other successful development schemes, goes to Mr Robert Moses, the city's champion gladiator. His Triborough Bridge and Tunnel Authority has financed its construction, mainly through revenue from bridge and tunnel tolls. The building,

which has been leased to a private operating company, is expected to pay for itself from the start out of rentals and admission fees, and to make some contribution to the city's revenue. Judging by the reports of the many trade fairs booked for the rest of 1956, Mr Moses may once again overcome the economic lions that devour the grandiose schemes of private promoters. In any case New York's hoteliers and shopkeepers can assure visitors of an expensive Roman holiday.

News About Newsprint

IN spite of the increase of \$4 a ton in the price of newsprint last December, the consumption of newsprint in the United States during the first quarter of this year rose to record heights, and would have risen further had more supplies been available. American newspapers, growing fatter every year, are expected to consume nearly 7 million tons of newsprint this year, seven times as much as the British industry uses. In the last 15 years newspaper circulation in America has gone up by 17 million to over 57 million, and 40 pages is the average size for an issue of a daily with a circulation of over 100,000. Sunday papers, with a circulation of 48 million, now average 135 pages an issue. The annual use of newsprint for advertisements, which at present take up 60 per cent of an American newspaper as a rule, has increased by 150 per cent since 1941; the amount required for editorial copy has risen only 12 per cent during the same period. The continued increase in advertising lineage this year has shown that, contrary to expectations, higher newsprint prices and higher rates for space in newspapers have not yet driven advertisers to television.

This rise in newsprint consumption has brought higher profits to the newsprint manufacturer—but not to the newspaper proprietors. And even record advertising revenues made little impression on the gloomy newspaper publishers who commiserated with each other in New York at the end of last month over steadily rising operating costs and the continued shortage of both newsprint and skilled labour. They had, indeed, a whiff of good news from a report on the newsprint manufacturing industry in the United States and Canada, which is now expected to increase its capacity by more than a quarter by the end of 1958. The major part of the increase of nearly 2 million tons will be in Canada, but the United States is increasing its own capacity by 776,000 tons, or over 50 per cent, and by the end of 1958 should be able to supply 23 per cent of its own requirements, compared with only 19 per cent at present. Much of this new American capacity is in the South, where the relatively recent success in adopting the fast-growing southern pine for newsprint making has stimulated the industry.

This is all good cheer for the future, but newsprint capacity takes time to expand, and the present acute shortage, with the "grey" market for newsprint at premium prices, is expected to persist at least for the rest of this year. The coming political campaign will call for still more newsprint, and the question now is whether even the large expected increase in capacity will be sufficient—especially if Canadian exports of newsprint to Europe continue to rise at the recent fast rate.

The World Overseas

"Keep Going, Mr Hammarskjöld"

FROM OUR CORRESPONDENT IN TEL AVIV

RUMOUR has been busy in Jewish Jerusalem since the Secretary-General of the United Nations left Israel. Its gist is that his mission to the Middle East was only his first round; that he accepted it not only to prevent the outbreak of war but to find a way to peace; and that his talks encourage him to look ahead to another visit in the late summer. It is by no means clear on what grounds this optimism is founded, but it is gratefully seized upon by people who have been living for years under the strain and the dangers of a life pitched between uneasy armistice and guerilla warfare.

The grounds for optimism are not exactly substantial. It is generally acknowledged in Israel that unconditional acceptance of the cease-fire order by all concerned was largely due to Mr Hammarskjöld's skill in negotiation, charm and mastery of the complicated documents connected with the four armistice agreements. What he achieved, in concrete terms, was a few technical innovations—a small increase in the number of Uno observers, the setting up of observation posts on both sides of the frontier in the Gaza strip, an agreement with the Syrians on fishing in Lake Tiberias and a more comprehensive agreement between local commanders on the Jordan frontier; these are proposals and whether they will prevent new incidents depends on whether there is a will to make them work and to render the people along the borders less afraid of each other and less trigger-happy.

What has not been said, and needs saying, is that the formula of wait and see, of merely damping down the fire, has not worked. For years, Western diplomats have kept saying that the first step to comprehensive settlement of the Israeli-Arab conflict is to ensure quiet along the frontiers, and that this will bring readiness to talk peace. But these expectations have been proved wrong. In the eight years since the armistice agreements were signed, the position has not improved, but deteriorated. Infiltration has developed into guerilla warfare coming, at moments, to the brink of war. Nothing is so disastrous as the attitude of resignation which accepts a completely abnormal state of near-war as ordained by heaven. During the last eight years a generation has grown up in the refugee camps near the border knowing only a life of uselessness and idleness, while in Israel a corresponding age group takes the eternal watches and skirmishes as a matter of course.

The attitude of mind that has developed can be gauged from an incident which occurred during the last few days of Mr Hammarskjöld's tour. A young farmer from a

frontier village saw some Arabs come over the border on the outskirts of Gaza and begin harvesting the fields of his village. He rode over on his horse, as was his wont, and tried to chase them off. Some hours later the officers of the Mixed Armistice Commission got back his mutilated body from the Egyptians. On most borders this would count as a major international crisis; on Israel's, the periods in which there are only a few such incidents are counted as "quiet."

Mere perpetuation of the state of armistice does nothing to alter this pernicious attitude of mind. On the very day that the Secretary-General published his communiqué confirming general assent to an unconditional cease-fire, the Israeli press prominently displayed two other news items: one announced the supply of considerable quantities of arms by the Eastern bloc to Syria; the other held out hopes of delivery of eighty-two Mystère planes by France to Israel. The Israeli public is convinced—and the Hammarskjöld mission has made no difference to its conviction—that only a balance of arms will in the long run prevent war.

The idea of a preventive war seems now to have been finally discarded, except among the minority led by Heruth and other activists. Yet, by general consent, preparations for an emergency are pushed on as energetically as ever. The Labour Federation proclaimed May Day this year as "Frontier Day," and tens of thousands of workers were off to outlying settlements, digging trenches, stringing barbed wire and building shelters. Schools close down for a week, in turn, so that teachers and the higher forms can go off and dig trenches. The Hebrew University follows suit. Even the most peace-loving citizen dare not say that all these preparations are not necessary; he knows that tension calls for preparedness, senses that preparedness necessarily increases tension, and looks desperately round for a way of escape from a frame of mind that is becoming ingrained.

Did Mr Hammarskjöld get the feel of this intolerable state of affairs? Or was it masked because the wish for peace is less loudly voiced than the demand for arms and so is not, at present, being coupled with concrete proposals for a final settlement. (It should be noted that Mr Ben Gurion's expressed readiness to talk peace has not been accompanied by any firm plan or offer.) If during this first tour Mr Hammarskjöld seized the point that mere return to the routine of armistice leads nowhere, and that what is needed is a breakaway from convention in order to get rid of resignation to near-war, he must see that a second round of visits would be valuable.

There is one new development on which Mr Hammarskjöld can work. He would not have got what he did if his mission had not had the unanimous backing of the Powers, including the Soviet Union. When the Russians supported Mr Hammarskjöld's mission it became probable that they would use their influence in Cairo and Damascus to achieve some results. Having put its powerful foot in the door to the Middle East, Moscow may now get all it wants there without allowing war to break out between Israel and the Arab states. What still needs to be found out is whether it would welcome peace in order to exploit to the full the openings it has got.

If the answer to this key question is favourable, the outlook becomes brighter. Israel need no longer resign itself to wasting fantastic sums on armaments in order to keep in step with the communist supplies reaching the Arabs, or to an unending chain of incidents that keep numberless young men in constant readiness to die for their country. Certainly the Secretary-General knows—as Israel knows—that peace can only be had if all the Powers want it. If it is true, as is rumoured in Israel, that he now wishes to go to the Eastern bloc capitals to follow up clues he found in the Middle East, he may yet extinguish the fires which, so far, he has only been able to bank.

The Cloud on Portugal's Horizon

BY OUR SPECIAL CORRESPONDENT

PORTUGAL continues to be one of the best-administered countries of Europe; but a cloud of uncertainty hangs over the political and economic horizon. These are the main impressions of a fortnight's tour. The dominant political problem—that of the succession to Dr Salazar—does not appear to have been brought nearer a solution by the belated introduction in March of a law providing for the creation of "corporations." Indeed, contrary to some early impressions formed abroad, there seems to have been no political significance in the timing of the legislation. The decision to create the corporations upon which, in theory and according to the 1933 Constitution, Dr Salazar's *Estado Novo* is based, was not a frantic attempt to provide Portugal with durable institutions against the day of the prime minister's death or retirement. It was merely a tardy fulfilment of plans that should have been brought to fruition years ago.

As the Minister to the Presidency, Dr Marcelo Caetano, observed last month in a speech to the newly formed Foreign Press Association in Lisbon, Portugal has long had "corporations," in one sense of the word, since the *gremios* (guilds) and *sindicatos* (trade-unions) are "corporative" bodies. But the corporations that are now to be formed are different in kind in that they will unite employers' and workers' bodies within themselves. The first six corporations are to be instituted before the end of the year. They will cover agriculture, industry, commerce, transport and tourism, banking and insurance, and fishing and canning. The new corporations will elect members of the upper house, the Chamber of Corporations, which hitherto has been composed of members nominated by the government.

In principle, the corporations are to act as a check to the abuse of power by the state. They will, for instance, settle among themselves such matters as wages and conditions of work, which are now decided by the government (and by no means always in the employers' favour). In practice, however, the prudence and gradualness that are typical of the *Estado Novo* will almost certainly mean that effective government control will continue for several years. The creation of the corporations will not, therefore, in itself provide the kind of fundamental stability that would survive Dr Salazar.

In essence, the problem of the succession is psychological. There is wide agreement in Portuguese administrative circles that Dr Salazar's presence in the background, even in retirement, would have a reassuring effect on the population if his successor proved unequal to the task and had to be replaced within Dr Salazar's lifetime. The people, it is said, would then understand that a change of prime minister need not mean that the regime was bankrupt and ripe for overthrow. If, on the other hand, Dr Salazar died while still in office, a return to the old chaos might become a dangerous possibility.

Dictator Without Gold Braid

The Portuguese prime minister, who is 67, retains unimpaired both his lucidity and his full capacity for work. He has long expressed a desire to retire, but will not hear of a gradual retirement that would enable him to hand over power by stages, much less of being "kicked upstairs." Dr Caetano, the principal ideologist of the *União Nacional*—Portugal's single political party—tried to persuade Dr Salazar to stand for the Presidency of the Republic when General Carmona died in 1951, but the prime minister would not agree. Dr Salazar is unique among modern dictators in being free of megalomania and of love for the outward trappings of power: the gold-braided limelight of the Presidency holds no appeal for him.

The long-term political question-mark is made more serious by Portugal's persistent economic problem—the poverty of its hard-working population. Nowhere in Europe is the gulf between rich and poor more striking and more visually evident. This, of course, is a problem inherent in the poverty of the country's soil and of its physical resources—its lack of coal, oil and iron: it is not a reproach to be laid at the door of the *Estado Novo*. But it is a potential explosive force that must be reckoned with when Dr Salazar's restraining influence is no longer there.

Investment cannot provide Portugal's soil with the natural resources it now lacks, but it could do much to raise living standards. The present volume of investment—£93,750,000 over the six years of the development plan—does no more than maintain the present inadequate living standard of a rapidly rising population. The six-year plan, which runs for another two and a half years, was indeed introduced at a time when the income per head was markedly declining—a fact which can be explained by the increase in the population of metropolitan Portugal from less than 5½ million in 1900 to 8,490,000 in 1952. The population is now about 9 million and the fact that living standards have not declined still further is due entirely to the six-year plan. Emigration accounts for rather less than half of the annual population increase: some 40,000 Portuguese emigrate to Brazil every year, and about 10,000 to the African territories. But the preamble to the plan recognises



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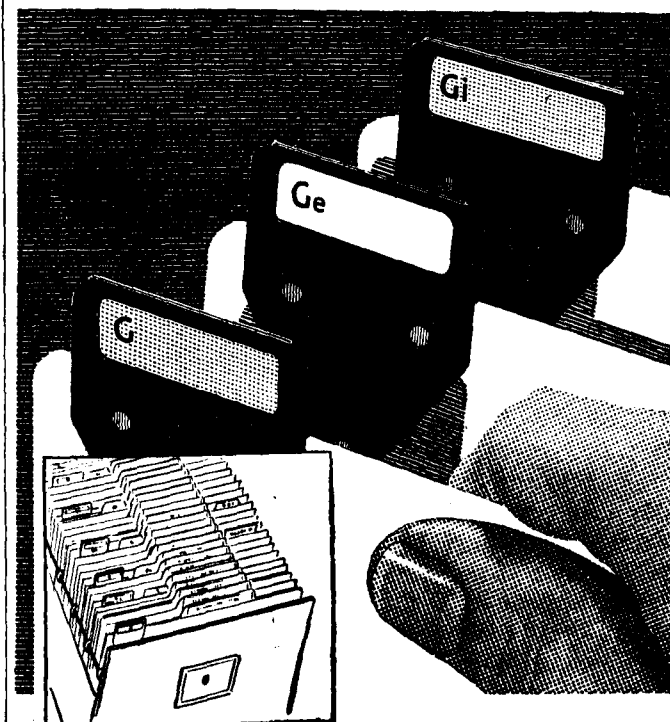


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that emigration is a poor remedy; in the long term, only increased investment can solve the endemic problem of poverty. To the Salazar administration, however, living within one's means is an article of faith. The government will neither borrow on the foreign market, accept foreign aid, nor indulge in deficit financing. And the means with which it intends to live are themselves restricted by the modesty of its direct taxation. The result, so far, is a static living standard; but the budget continues to be balanced.

In the meantime, the current plan is running according to schedule. The five big hydro-electric schemes are overcoming the country's power deficit, though they cannot hope to meet the rising demands of an expanding industry within the period of the next six-year plan; and the contracts will shortly be issued—probably within a few weeks—for Portugal's first steel plant, designed, with other processing plants, to yield 150,000 tons of rolled steel per year, with a minimum starting capacity of 80,000 tons on completion of the plant at the end of 1958.

In time, the underdeveloped and largely unsurveyed territories of Angola and Mozambique may be expected to make a massive contribution to the Portuguese economy. Projects for the African territories are indeed an integral part of the six-year plan. This fact alone explains the obstinacy with which Lisbon opposes Indian claims to Goa. In itself, Goa is an economic liability to Portugal; but to retreat there would be to surrender a principle whose validity—in the light of Angola and Mozambique—cannot be contested. The Portuguese may reconcile themselves to physical expulsion from Goa: they will never voluntarily leave it.

A Western View of Indian Foreign Policy

BY A CORRESPONDENT

(An article on "The Indian Point of View" appeared in "The Economist" of April 21st.)

IF an average Indian is asked what his country's foreign policy is, he is likely to bring up the *panch shila*, the five principles announced on April 28, 1954, when the Indo-Chinese treaty on Tibet was signed. These are mutual respect of each country for the other's territory and sovereignty; mutual non-aggression; mutual non-intervention in internal affairs; equality of mutual benefit; and peaceful co-existence. China's adherence to these principles has given enormous satisfaction to India and has been trumpeted abroad throughout Asia as a major triumph of Indian diplomacy. This means that the *panch shila* are sound "psychological peace-fare" because when some future crisis occurs, they must compel China to decide to what extent, if at all, it would think it worth its while to humiliate India by pursuing any course that would violate the *panch shila*. The violation of these principles would enable the Indian government to rally public opinion in support of war-like defensive measures.

The *panch shila* strike a Western observer as an admirably pious doctrine but not as a policy; for the basis of a policy must be the power to carry it out. What commitments are India's armed forces strong enough to under-

take? Against a Chinese or Soviet threat, India could only fight delaying actions until help arrived from its friends. Against Pakistan, India is, at present, strong enough to fight and win, at any rate the last battle. In other words, India's effective foreign policy is confined to containing Pakistan and to the policing of its frontiers.

Are these commitments too small by comparison with India's interests? It is vitally interested in the area stretching from Arabia, whence it gets all its oil, to Indo-China. The example of China, a country even poorer than India, which, with Soviet aid, equipped itself to withstand a strong United Nations' force in Korea, suggests that the conversion of the *panch shila* doctrine into a foreign policy covering South East Asia would not be beyond India's physical capacity. But it would mean reliance on external military aid, and the pressure of economic effort might well cause the abandonment of India's liberal democratic methods in favour of totalitarian ruthlessness in forced labour and forced saving—all possibilities abhorrent to India's ruling classes.

India prefers to concentrate its strength for a mighty effort of economic advance. Its leaders calculate that it is safe from any Western aggression and that if it were threatened by the Communist bloc the West could not fail to stand by it, if for no other reason than to prevent its vast resources from falling to the enemy. It also reckons that by refraining from building up its armed forces on an Asian scale it lessens the danger of an Asian arms race and contributes to the maintenance of a calmer Asian atmosphere.

Moral Cellophane

Out of these considerations springs the doctrine of "non-alignment," and it may be admitted without quibble that India's non-alignment has been valuable to the cause of peace and to the free countries. For instance, by securing China's confidence when no Western democracy was in a position to do so, India helped to moderate the Korean policies not only of China but of the United States, and much treasure and many lives might have been spared by heeding its warning that China would intervene if the 38th parallel were crossed. The West has a vested interest in a flourishing, independent, and democratic India and, from this point of view also, India's concentration on building up its economic strength and consolidating its democratic regime should reconcile us to its "non-alignment."

It is, however, important to note that it is at the "summit" level in London, Washington, Peking, and Moscow, that India's non-alignment applies. Below that, Western statesmen should never forget that India's effective foreign policy is limited to the containment of Pakistan. As long as India retains its present three to one superiority of strength over Pakistan, it feels safe. If this ratio is disturbed and its fears thereby aroused, it is ready to match gun for gun and plane for plane in an old-fashioned arms race, and if pushed too far might feel itself compelled to sacrifice any existing friendships for the sake of what it would regard as the necessities of national survival. This explains India's violent reactions to Seato and the Baghdad Pact. When promoting these treaties, both the Americans and the British forgot or, perhaps misled by the flowery moral cellophane in which India's non-alignment doctrine is usually wrapped, had never really grasped, what its real foreign policy is.

But if the West needs to be urged to a better apprecia-

tion of the value of India's attitude, it seems reasonable to suggest to India's leaders that they might educate their own public opinion in the underlying implications of non-alignment. The first of these is that the degree of seriousness that China and other Asian countries are likely to give to India's counsels depends not only on their estimate of its disinterestedness but also on their estimate of the extent to which there would be the devil to pay with the Commonwealth and the United States if they got tough with India. For non-alignment without the ultimate sanction of the armed forces of India's friends is not an effective policy: it remains a doctrine. Most Indians identify the political doctrine of non-alignment with Mahatma Gandhi's moral doctrine of pacifism, forgetting that a pacifist nation disarms itself but not its enemies. Nor do those whose role it is to inform Indian public opinion point out that however benevolently Russia and China may view a poverty-stricken India today, as with each decade it becomes more prosperous, its growing power and frequently divergent interests will be viewed with less amiability. The course of their relations since August 15, 1947, suggests that neither India nor the West has fully appreciated that neither can survive in a predatory world without the other and that both have still something to learn about ways and means of harmonious co-operation with the other.

Strains in Brazil

FROM A CORRESPONDENT IN RIO DE JANEIRO

THE bitter, unreconciled opposition which persists against the Kubitschek government continues to prompt a blunt question: is there support or opportunity for a movement to overthrow Mr Kubitschek? The answer so far appears to be a qualified negative.

Brazil, politically, has never been quite so unhealthy; yet if there should be any drastic change, it may not be thanks to the direct efforts of the opposition but, paradoxically, to that element, led by the army, which supports Mr Kubitschek. This faction is very much in the majority; but should it reach the conclusion that this government is incapable of establishing national unity, or that the opposition, especially in the armed forces, is gaining ground, it might act. If it does, it remains to be seen just how far it might go to carry out its proclaimed mission "to guarantee law and order above all other considerations."

The general view is that the military is unlikely to seize power. The majority of army leaders realise this would complete the cleavage between the army on the one hand and the navy and the air force, backed then by public opinion, on the other. Brazilians regard the army with respect mixed with mistrust. They acknowledge their debt to it, for more than once its restraining influence has saved them from a holocaust; but they do not want to see it with any more power than it has already.

The peculiarity of the present crisis is the attitude of the Brazilians most of whom continue to disassociate themselves almost entirely from events which politically have rocked the country. The task of the government and of the military leaders is to pacify outraged feelings, particularly in the air force where Mr Kubitschek is still seen as

the resurrector of the Vargas regime which it helped to overthrow. So long as they persist, these centres of revolt will encourage the opposition which realises that in view of the apathy of public opinion, it can do nothing on its own. But this opposition in Congress, fiercely vigilant for any opportunity to attack and backed by an equally fierce press, is forcing the government to adopt an attitude of such caution that it is incurring the public charge of inactivity. The average Brazilian today gauges the success or failure of a government very simply by the amount of his grocer's bill; he is no longer consoled by long-term plans for his welfare, which the Kubitschek government undoubtedly has in mind. Since it took office on January 31st prices of some domestic essentials have risen by about 20 per cent.

Mr Kubitschek's opponents include a good many cases of wounded *amour propre*. But they also include responsible men who are sincerely worried about the government's association with some notorious elements of the former Vargas regime. Nevertheless, the majority of Brazil's leaders are anxious to settle their differences and to put the political house in order. Above all, they want to avoid a recurrence of the recent crisis in five years' time when the next presidential election is due. Some of the less explosive changes proposed are the substitution of the presidential system by a parliamentary system; the exclusion of serving officers from any civilian post, and a change in the electoral law so that any future president must receive more than half the total votes cast. (In the October election, Mr Kubitschek received about 35 per cent of the total vote.) But real revolution is packed in a proposal prompted by the Minister of War, General Lott, who is still the strongest individual buttress of the regime and a main target for opposition animosity and plots. This is that "to make the vote in Brazil truly democratic every working Brazilian must have the right to it." This would open up the electoral lists to an estimated fifteen million illiterate, but employed, Brazilians who are now barred from the polls.

Revolt in Amazonia

The immediate task, however, is to deal with the present stultifying situation, which might deteriorate overnight into something far more serious. Although some recent manifestations of opposition have had the trappings of musical comedy, these and the apathetic, almost cynical, attitude of the masses are sadly symptomatic of the unhealthy atmosphere. Senior officers have been arrested for disobeying orders or for publicly challenging the legality of the government. The quintessence of quixotism, perhaps, was the gesture of three air force officers who flew off into Amazonia to start a revolt from the jungle. They were able to "capture" airstrips and radio beacons, to "occupy" the river town of Santarem with a population of 35,000, and disrupt air and river transport in the region for days. It took the government almost three weeks to organise its forces to "liberate" Santarem and capture one of the rebels. The others escaped to Bolivia. The affair has provided Mr Kubitschek with an opportunity to show his magnanimity. Congress has recently passed a government bill which grants an amnesty to all political offenders since the "anti-coup" of last November through which General Lott ensured that the present government could take office. But a motion tabled by the leader of the majority in Congress that the amnesty should be extended to all political offenders, including the outlawed communist party and its

leader, Luiz Carlos Prestes, was defeated by seven votes after heated debates.

Some of Mr Kubitschek's opponents are still wondering to what extent the outlawed communist party's support helped his election and what it is expecting to get in exchange. Mr Kubitschek's majority over his nearest opponent, the conservative candidate, was around 400,000. The "communist" vote is roughly estimated at about 200,000. Did it, in fact, come out *en bloc* for Mr Kubitschek, as it was directed to do? This "support" by an outlawed political organisation, plus the charge that Mr Kubitschek was helped to victory by electoral fraud in the interior makes up the opposition's case that his election was illegal. Some of his fairer opponents, however, concede with disarming frankness, that in the uncertainties of a Brazilian election campaign, a candidate can to some extent be forgiven for treating offers of support as a gift horse. But just as they fear that Mr Kubitschek may not be able to contain the aspirations of some of his more rabid *Vargista* following, they also fear that in the present swing towards greater liberalism the communists may be allowed to seize their chance.

One prediction can be safely made about this paradoxical country; that its prodigious economic development and material achievement in the face of apparently insurmountable difficulties, and above all its peculiar resilience in internal convulsions, will probably continue to confound the more academic foreign experts for many years to come. In South America, Brazil is an oasis of relative tranquillity where in every crisis so far reason and restraint have prevailed in the end. The best testimonial to its real nature is the steady inflow of foreign investment. Not only Americans, but Germans, French, Italians and Japanese are all now choosing Brazil for some of their largest long-term investments in this continent.

Timetable for Uganda

FROM A CORRESPONDENT IN KAMPALA

THE Governor of Uganda, Sir Andrew Cohen, is no doubt used to ingratitude. The reactions of the African political parties to his proposals for direct elections on a common role of the representative members of Uganda's Legislative Council by 1961, will not have surprised him. His statement, however, may have taken the parties unawares; the Uganda National Congress hurriedly put together a handout and circulated it in the Legislative Council. This flatly rejected the Governor's proposals and demanded immediate self-government. It did not question direct elections or the common roll—it merely tried, as usual, to go one better than the government. With nothing to fight the Congress would die; if there is no enemy it is necessary to invent one.

The Congress leaders, however, have given no thought whatever to the process whereby self-government is reached; their immaturity is revealed by their sheer inability to realise that there are any practical problems to be solved in a transfer of power, however rapid. Neither they nor the leaders of the other parties seem to understand that there is a machinery of government that will have to be replaced;

they have no ideas about the new machinery which is to replace it nor the stages of the metamorphosis. Yet if the future government is to be democratic—and this is the assumption of the British Government—the introduction of direct elections is a necessary first step. It can be argued—as the Progressive party here does—that the step is put too far ahead; but it would not be physically possible to speed up the process of registration which must precede the direct elections to the Buganda legislature (the Lukiko) in 1957. Yet this election does not involve the complications of the common roll which must be dealt with in all parts of the Protectorate after the Buganda experiment in elections.

Sir Andrew stressed his anxiety that "the public generally in the different parts of the country" should understand "the problems involved" and that time should be allowed "for full local discussion." A cynic might argue that direct elections would wait forever if they had to wait for "the general public" here to understand the problems involved. But four years seems the shortest possible period in which to allow the smallest possible proportion of the general public to gain enough understanding for the elections to be any sort of valid expression of the electorate's feelings and to produce a workable elected legislature.

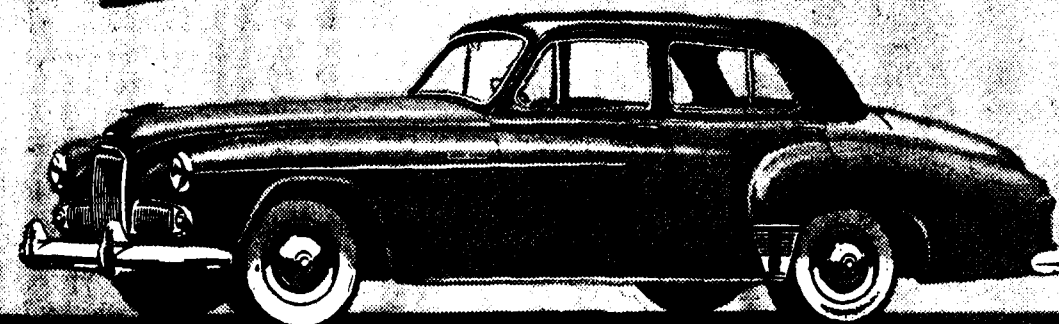
Too Few Technicians

Uganda today, it has been said, really compares with the Gold Coast in the thirties—not with the Gold Coast in 1949 on the eve of Nkrumah's rise to power. There are in Uganda fewer than twenty African graduates in government service and the number in other occupations can hardly be greater than this. There is a dearth of professionals, technicians and even artisans; not merely in relation to the needs of the country but in absolute numbers. Although Makerere College and the technical institutes are steadily helping to improve the position they cannot provide that body of experience that is now so sadly lacking. The most noticeable deficiency, however, is in businessmen. The history of African company promotion or of trading of any sort in Uganda is a dismal one, and, although there are signs of progress, African business enterprise is in its very infancy. One hopeful aspect of this is that the African dependence on non-Africans might in practice ensure against the worst bitterness of transition to self-government. There is enough goodwill in Uganda to make this more than a pious hope but much depends on the politicians' willingness to seek out the true obstacles to their aspirations rather than picking on the most convenient scapegoats.

Uganda, moreover, faces in an even greater degree than the Gold Coast, the dangerous problem of the great disparity of development between its constituent provinces and peoples. Buganda is ahead of the rest, growing most of the coffee and one-third of the cotton, and receiving one-half of the value of the Protectorate's exports. Recently, however, the Buganda government has denied its intention to pursue a separatist policy, and the Governor has made it clear once more that the British Government feels itself to be the trustee for the central government of the future and intends to resist demands which might "encroach upon the rights, responsibilities, functions or revenues of the central government of the future." This was a statement of fundamental policy by no means directed solely at Buganda; but it underlines the fact that Uganda has a great deal of political education to get through before it can function as a modern state—and this is something which the National Congressmen so far flatly refuse to believe.

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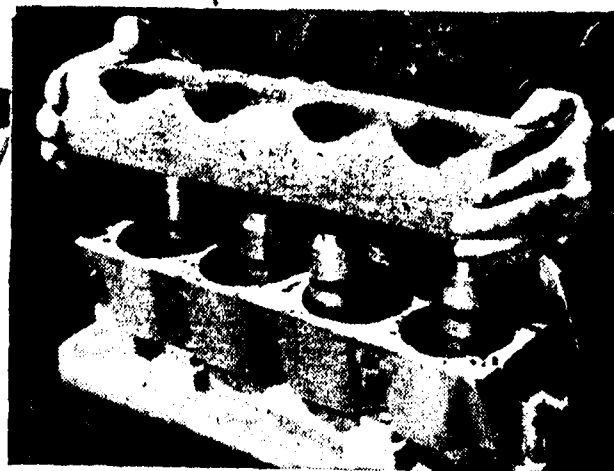
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THE BUSINESS WORLD

Spectre of Automation

AUTOMATION has become a devilish convenient word for sub-editors and industrial trouble-makers, and it is hard to judge which of them has done more mischief with it. It is perhaps a year since various British newspapers latched on to the notion that this new word, with its appealingly bizarre hint of science fiction, could be used in a headline on almost any story about industrial development: it saved finding out what the story was really about. The communists have not yet used "automation" quite so indiscriminately; but they have used it selectively, and thus with greater effect, in many of the arguments that are always arising about the use, the manning and the rating of new machinery. More new machinery is likely to be installed in British factories this year than ever before, offering higher output than ever before; but since home demand for that output is being brought under deliberate restraint, the agitators have an unrivalled chance to scare up those arguments into actual "automation strikes" such as the Standard dispute.

It may be politically beside the point to repeat that precious few of these arguments—or of the developments that are so labelled—have much to do with what is properly called automation. In the widest sense that still leaves it any distinct meaning, automation is a useful portmanteau word for forms of mechanisation that involve the linking, co-ordination and control of simpler industrial processes: typical examples were listed by Lord Halsbury this week as

transfer machining, automatic assembly, the whole field of control engineering and that part of communication engineering concerned with data processing, accountancy and calculation involving the use of electronic digital computers.

Even when properly used, the word has implications and overtones that are likely to become increasingly emotive. Used as it is being used today—to describe the installation of any new machine during a period when trade may not be good enough to absorb all the

men concerned elsewhere in the same factory—its meaning has become almost purely emotive. A Detroit business economist, travelling through London last week, said that a month in Europe had given him the feeling that unions, social workers and businessmen alike were absolutely haunted by the idea of automation. That may become true in Britain, too. But this year, at least, the spectre happens to be a bogey.

Retooling of the production lines for a new tractor at Standard Motors certainly includes an element of genuine automation—though probably no greater than what has already been installed at several other major plants in the motor industry, where no trouble arose. Certain lines of separate machine tools are to be replaced by transfer machines—banks of tools linked by devices which, when one operation is completed, automatically move the workpiece into position for the next. These lines would require far fewer men for a given volume of output. But in other sections of the factory retooling offers less dramatic economies. Moreover, the object of the exercise is not merely to maintain output, but to increase capacity by some 30-40 per cent. The increase in tractor output—as and when Standard manages to achieve it—was expected to increase, not diminish, the company's whole labour force, though indeed in a different pattern of jobs.

What has happened meanwhile is that Standard is now unable to switch as many tractor workers as it planned to car production, because of the squeezing of the home market and the softening of export markets for British cars. It may also be less sure how soon it can sell the extra 30,000 tractors a year that it is equipping itself to produce. The need to lay off men during the key months of retooling at Banner Lane has been aggravated. More men have to be laid off, and the company cannot promise when it will be able to take them all back.

The most significant thing about the Standard lay-off and about the Standard strike, therefore, is that two years or even one year ago re-equipment of this kind might have involved neither lay-off nor strike. What has changed is something beyond the powers of the management or the unions to control—Britain's economic climate. During this year and next a large proportion of the industrial investment decided upon during the boom years of 1953-55 will be maturing (like Standard's) and offering the chance of lower costs through higher productivity. Much of that investment is aimed at higher productivity and using roughly as many men to achieve much higher output—and not at the same volume of output with considerably fewer men. These two concepts may theoretically offer an equal return on investment, particularly when a company has to engage in "defensive" investment to maintain its share of a market. But in practice the industrialist generally puts most of his capital where he can see expansion—if not in the total market, then at least in the share he expects of it. The labour-saving in much of this investment, therefore, was to be achieved by enabling roughly as much labour to produce more. But it is coming in at a time when Government policy is making it hard for some industries to sell as much.

Both of these current facts strongly colour the workers' attitude today towards what they call automation—by which they mean any significant installations of more efficient equipment. The communist-inspired resolution on automation passed at the Amalgamated Engineering Union conference recently was bitterly—and in principle quite rightly—criticised for its insistence that the worker had a right to keep his job not only in the same industry but even in the same factory. What some of the critics ignored was just how often, in many of the case histories of automation from the United States, that is exactly what in fact happened. A company embarks upon the very high investment and overhead costs of automation because it is confident of expanding its output and sales much more than proportionately (whether the product is insurance policies or cylinder blocks); it often does so; and its labour force, albeit redistributed between jobs and skills, remains much the same or expands during the process, with re-shuffling, re-training and normal wastage taking care of the departments where particular operations or jobs are abolished. No doubt the cases cited are the rosier; businessmen seldom advertise their wrong decisions. But what automation offers has to be rosy before industrialists decide to buy it.

This does not mean that automation, or other technical change, is likely to freeze any existing pattern of industries within an economy or of companies within an industry. The AEU's dream of painless security of tenure for every worker wherever he chooses to work

is a nightmare of stagnation. But over any short period, heavy capital investment—in automation or less complex re-equipment—generally postulates expansion, and expansion for the particular company doing the investment. The companies that can afford this, indeed, are the growing elements in the economy—in their own field, and often in spreading beyond it.

Operatives in these growing industries, too, count on expansion to keep them busy in good jobs at high wages; and while these companies and industries succeed, it generally does. But when the success of these industries in the home market is checked as a result of Government action to bring total demand into balance with supply, that confidence is likely to be upset. Last winter, in certain of the fastest-growing industries, the fat margin of overtime and special bonuses that constituted the worker's main improvement in real purchasing power since the war began to be whittled away. Many were soon down to basic wages, some on short time; redundancy followed. This Government policy, and the reasons for imposing it, have never been simply and fully explained to the workers concerned. The reasons, indeed, are inherently not simple. But the overtones of automation, whispered in one's ear by a communist or blared in the headlines, do offer a simple wrong explanation.

The mischief is made now. What can sensibly be done to clear it up? First, but only first, explanation, both of automation itself and of the economic policy of which some intended results are today being mis-called automation. The explanation is not what is generally being advanced today—that the short-term effects of automation must inevitably be painful, but that in the long run automation will equally inevitably create more jobs. A revised, honest version might run like this:

Only a fool would claim that he can tell now what the long-term implications of automation will be on the pattern of employment. Research should give some pointers, and we are promoting such research. One thing is certain, for our comfort: automation cannot occur without the effective demand—probably widely distributed demand—to buy the extra goods.

Moreover, for the next 20 years or so, Britain's main weakness in economic growth will be shortage of people able to work, not redundancy: we can only expand by a steady advance in productivity. Automation, and investment in more productive equipment generally, is the key to that expansion.

In the short run, most of the companies that put in automation are growing anyway, and not many people are likely to lose jobs, though many will have to change the work they do. At times when the Government is putting the brake on expansion to steady the economy, growth through automation or re-equipment may have to be temporarily checked. This has nothing to do with automation, but a good deal to do with ensuring expansion in the future.

Secondly, closer consultation is required at the very inception of industrial change—certainly between industry and its workers, probably between both and

the Government. The unions concerned at the factory level should be taken much farther into management's confidence about its long-term intentions in re-equipment and expansion, and given the best forecasts management can make of the likely requirements and of the balance of different skills that technical trends in the company seem likely to demand. Where redundancy in departments or even whole factories is inevitable, careful manpower planning in advance ought to be able to make use of natural wastage and labour turnover to avoid sacking large numbers at once.

Where significant re-training may help—to make a production operative, for example, capable of planned maintenance—there may be some advantage in publicising and even rather window-dressing the re-training process, in association with Government training centres and with the unions. In circumstances where redundancy may be a direct result of Government pressure to transfer resources between industries and

The Geological "Scandal"

IN copper output the Belgian Congo is half the size of the Rhodesian copper belt—200,000 tons a year compared with nearly 400,000 tons. Yet the Belgians affectionately call their copper belt the geological "scandal"—scandal in the sense that a man is said to be "scandalously" rich. Rich it certainly is: Union Minière du Haut Katanga works copper ore of a grade of 6 to 7 per cent compared with 3 to 4 per cent in Rhodesia and much richer concentrations occur—13 per cent for instance—in some of the mines; great patches of green malachite are to be seen in the workings. Union Minière also produces about 8,500 tons a year of cobalt (two-thirds of the world's output); its cobalt production doubled between 1950 and 1954, and when it cuts the price, other producers will have to pick up the step. It works zinc in conjunction with copper and has stockpiled a large quantity of zinc concentrates. By-products include about 160 tons (£1½ million worth) of silver, and enough germanium is included in the residues to multiply several times the present tiny production. Arsenic salts and small quantities of radium, gold, platinum and palladium are recovered at the smelters of the Société Générale Métallurgique de Hoboken in Belgium, where part of the refining is also done.

Union Minière also owns the uranium mine Shinkolobwe. It used to work ore of a 60 per cent grade—fantastically high compared with South African grades. When war broke out there was a stock of it for the mine was then worked for radium, leaving the uranium as waste. But the far sighted management put those residues out of harm's way in America, so that when a harassed American administration asked for a most urgent 10,000 tons of uranium ore delivery was promised "tomorrow." The 60 per cent ore is now

even geographically, there may be a case for higher allowances during re-training and for assistance in moving and finding somewhere to live—not subsidising under-employment, but investing in mobility.

The Government, this week, showed itself sensibly alive to some such implications. At the national level, there will be value in consultation between the Government, the unions, and the employers' associations—provided that all three go slow on hollowly-resounding generalisations. Any significant development of re-training will certainly need new flexibility in union rules and perhaps in employers' recruitment policies. The question "What kind of skills are we likely to need?" affects education and apprenticeship, as well as shifting adults between jobs. So the final requirement, as the Department of Scientific and Industrial Research has already concluded, is more research—to find out how best, socially as well as economically, we may reap the promise of automation.

gone, and the grade has dropped. Uranium is not an important contributor to revenue.

The by-products proclaim the wealth, but copper sustains the economy. Copper accounts for about 70 per cent of gross annual profit, cobalt for 15 to 20 per cent; zinc comes third, and the rest are small. To a significant extent the copper of the Haut Katanga province supports the whole Congo, for including export taxes Union Minière finds about a third of the Congo's Budget. It is also the most heavily taxed copper company in the world but the copper belt's economy, the company's revenue and even the conservative dividend are all growing. Proved reserves are secret, but the much faulted mineralised belt stretching from the Rhodesian frontier near Elizabethville more than 200 miles westwards beyond Kolwezi has, after fifty years, merely been scratched in a few places. Only at Kipushi and at Zinkolobwe have the mines yet gone underground. The rest is opencast quarrying to a depth of about 160 feet. By contrast, across the Rhodesian border, Nchanga has just started opencast working of ore of less than 3 per cent grade, and hopes to use opencast methods down to 800 feet.

Electric power will also soon be available for export to Rhodesia from the Haut Katanga. The area is less than self sufficient in coal and coke, but is becoming generously supplied with hydro-electric power. Bia, Francqui and Del Commune power stations will be supplemented this summer by power from the much larger Le Marinel project with an installed capacity of 276,000 kW. It is timed to be opened on the corporation's 50th anniversary in July. Behind these three lies a further project twice the size of Le Marinel.

The power plants of the Haut Katanga, unlike those

of the Congo government, have been built with self-generated capital, though towards the 2,000 million francs (£14 million) that Le Marinel is expected to cost one-fifth will be found by the Rhodesian copper companies which are financing the power transmission line by paying in advance for the power they will take.

Haut Katanga is a "geological scandal" in a second sense. Nature has tucked her wealth away in one of the least accessible corners of the world. Rich in money and resources, the area is impoverished in communications. Roads outside the towns are bad (and American-type cars essential). The long haul by rail and river is sometimes costly and necessarily slow. The map shows the three main approaches to the area—the British-owned Lobito Railway from the West Coast to link up with the KDL line still in process of electrification, the Rhodesian Railway from Beira and Lorenzo Marques on the East Coast to the south-east corner of the Congo at Sakania. Much of the traffic also uses the incredible all-Belgian route by rail to Port Francqui, thence by river boat down the Kasai and the Congo to Leopoldville, where the goods take train again to Matadi, avoiding the Congo rapids. Transport routes should improve as the Government's 10-year plan progresses, but it will take time.

Both the standard and the cost of white living are high, but whites are spread thinner than in other parts of industrial Africa. The ratio of less than 100,000 whites in the whole Congo to around 13 million Africans would enforce African advancement even if the Belgians did not want it. They do want it and they have the money to make it possible. At the frontier a black train driver takes over. In the workshops a gang of 10 Africans can be seen moulding a copper ingot into a bar under a four-ton hammer with no obvious white supervision. A class of black machine tool apprentices may be seen learning the trade from black journeymen. African drivers man the giant grabs in the quarries and the giant cranes in the concentrators.

There is nothing here of "Give them the jobs and they will finish the tools." Generous investment in mechanisation has been used to spread white supervision thinly and push native advancement along. The danger is to assume that it is easy. The Congo is open-

ing its second university at Elizabethville this year; urban hospitalisation and schooling are good, but as yet skilled native labour and native professional men are still scarce. Some skills (notably teachers and hospital nurses) are visibly scarcer than in the Union of South Africa. Union Minière employs 20,000 native men and the child population is growing enormously but the first generation and their families are imported from tribal areas and it takes time and patience to change the men and their wives from raw natives drawing rations in kind into fully urbanised families.

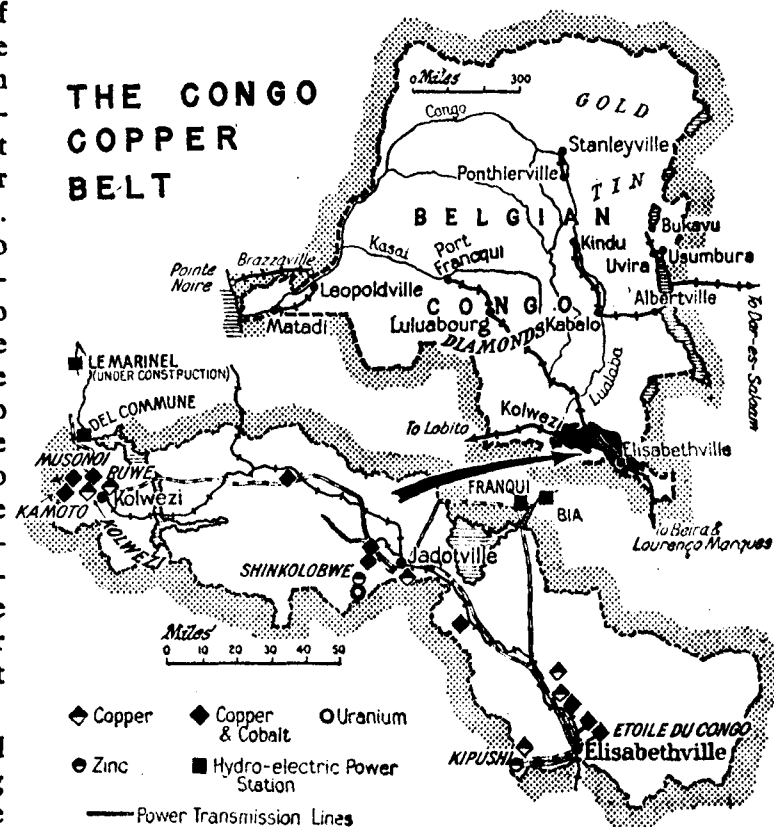
The company spreads its money widely around its interests. The subsidiaries, however, are few. The Société Générale Métallurgique de Hoboken, the refining company in Belgium, which also handles the tin

concentrates coming from another part of the colony, and not mined by Union Minière, and Métalkat, which owns the electrolytic zinc refinery in the Congo, are the most important.

British enterprise contributed much to opening up the riches of the Haut Katanga—and allowed much of its advantage to slip through its fingers. Tanganyika Concessions explored and proved the minerals and still draws a royalty. It received in exchange for its work about 45 per cent of the capital of Union Minière. It will take many more years to live down the decision to reduce that interest to 14½ per cent and build the Benguela Railway

with the proceeds, even though the Benguela Railway pays its way and will do better. "Tanks" pays a 70 per cent dividend, and the 10s. shares stand at 7½, to yield £4 8s. 10d. per cent. They may still be cheap at that price, for on the basis of the Brussels quotation of 6,620 frs per one-tenth of a Union Minière share, the break up value of "Tanks" ordinary is much higher. But the main voice has passed to the Société Générale de Belgique, with which Union Minière has a strongly interlocked board. What might have been is amazing. If Tanganyika Concessions had retained its 45 per cent interest and not built a railway the break up of its shares would have been many times the present price, and its income based only on the present dividend of 1,600 frs by Union Minière would have been more than doubled. If only looking forward were as easy as jobbing backward!

THE CONGO COPPER BELT



Business Notes

Surfeit of Issues

IT has been a week of new issues on the Stock Exchange, and the reaction of the market has laid bare the smallness of investors' resources. On the gilt-edged side there has been one small new issue and one placing—the latter £1 million Hendon Corporation 5 per cent stock 1971-76 was placed at £98½ and favourably received. The issue of £3 million Essex County 5 per cent stock, 1968-71 at £99½ was a sharp disappointment. Terms had been shaded to take account of the poor response to the Ayr loan a week earlier and its sponsors can hardly have expected that 46 per cent of so small an issue would be left with the underwriters.

The logic of that partial failure and of the opening discount of 10s. on the Essex stock is that the market should now be given breathing space in which to accumulate buying power, especially as the Bank of England must have in mind another substantial government loan in the next month or two. So far as routine funding through sales of government stock by the government broker goes, the mere suspension of the flow of small local authority issues will make no difference; the process, designed to reduce the floating debt, goes on all the time. It is argued that the volume of funding might be greater if a reasonably steady market could be provided. Hence the current gossip about a possible early reduction of Bank rate, though that, whatever its other demerits, would amount to a vote of no confidence in credit control.

The industrial section of the market, now receiving the seasonal flood of company dividends and profit figures, behaved much better than gilt-edged. The *Financial Times* index reacted from 193.4 on Monday to 192.0 on Wednesday, but individual stocks continued to behave well. A big buyer has been in the market for Standard Motor which rose 6d. to 7s. 3d. in the first half of the week. There was naturally a sharp downward adjustment in British Petroleum after the confusion that arose last Friday, following an incorrect agency report of the dividend. Having touched 158s. on Thursday of last week, BP are now back to 141s. 4½d., the jobbers having rightly decided that the late bargains on Thursday of last week must stand—to their own considerable disadvantage.

Two fairly large rights issues have tested the industrial market successfully this week. British Aluminium is raising £4 million for its new Canadian venture by the issue, as rights on a two for five basis, of 2 million £1 ordinary shares at 40s. The new shares enjoyed an unexpectedly good market when dealings started on Wednesday, opening (nil paid) at 11s. 3d. premium and closing at 13s. 6d. Albert E. Reed, the paper company in which the *Daily Mirror* has a substantial holding, is to raise over £6½ million by the issue of 3,285,985 ordinary and the same number of "A"

ordinary shares on a one for two basis and a projected dividend of 16 per cent for 1957. The announcement of the issue came with the profit and dividend statement which showed a net profit, after tax, for the year ended March 31st, of £3,570,723, compared with £3,116,227 and a final dividend of 15 per cent making 25 per cent for the year, compared with 22½ per cent on a smaller working capital, and was well received. The shares, still full of their rights, stood at 102s. 9d. of Wednesday compared with 96s. 9d. just before the announcement. But though these issues have been welcomed, it has become even more evident that any substantial volume of company borrowing would force the market downwards.

Coal on Borrowed Money

IN the debate upon the coal industry's borrowing powers that was going on in the Commons as *The Economist* went to press this week, the Minister of Fuel and Power, Mr Aubrey Jones, gave no details of the increase in coal prices that is now imminent. Since Mr James Bowman, chairman of the National Coal Board, unexpectedly announced during a press conference last week that an increase could be expected "within days rather than weeks," the routine procedure of consulting consumers' councils and the trade has been going on; it was not completed in time for the debate. Mr Jones referred to the increase—to be made at a time when the Coal Board is not in the red on its current operations, but has an accumulated deficit of nearly £37 millions. If the Board were to be denied the power to recoup that deficit by raising its prices, he said, it would need to borrow some £400 million from the Government during the next five years of its £1,000 million investment programme—after which its investments will be financed almost entirely out of income. If it was allowed to raise prices to clear off the deficit, it would need to borrow about £350 million. The Government's decision to raise the coal industry's borrowing powers from £300 million—now largely exhausted—to £650 million and not £700 million was in line with their decision that higher prices for basic materials were less inflationary than subsidising the industry.

Mr Jones's speech was an objective, cold appraisal of the Coal Board's earlier investment plan, its largely disappointing results so far, and its revised plans: in no way did he identify himself with the industry, and he emphasised to members that his approval had been given to the general lines of the plan, not to the details of the Board's document "Investing in Coal." But he made an effective plea for better "objective understanding" between the coal indus-

try and others in Britain, in place of the suspicion poisoned by prejudice for and against nationalisation. It is certainly time for coal to rejoin British industry—in more ways than one.

Battle of Engines

ROLLS-ROYCE has brought off a notable coup in winning an order from Trans Canada Airlines for Douglas DC 8 airliners fitted with the Rolls-Royce Conway engine in place of the American Pratt and Whitney J75 for operation on the North Atlantic. Both Douglas and Boeing have been playing safe by tentatively offering their big jet airliners with a choice of American or British jets, but this is the first order actually to be signed for the Anglo-American combination. It is initially for four aircraft, with an option on two more and the possibility of further purchases—the order commits TCA to spending nearly £10 million. There is at least a possibility that two other Douglas customers, the Dutch airline KLM and the Scandinavian SAS, will follow suit. When the purchase price rises to sums of this order, the advantage of being able to pay for engines in sterling is considerable. The reasons that led TCA to specify the Conway were implicit in the performance figures for this version of the DC 8 put out by Douglas earlier this year: lighter weight, giving 300 to 400 miles extra range or a proportionate amount of extra payload; rather better economy than the Pratt and Whitney engine; and a lower price.

Rolls-Royce has found it less difficult to convince customers of the worth of the Conway than to get a sufficiently firm promise of government support in this country to be able to assure their customers that the engine will have put in enough flying hours in military aircraft before it goes into service with the airline. Rolls-Royce has never been afraid of commercial risks, and the company has sunk immense sums of its shareholders' money in research, experimental plant and actual production; but it flatly refuses to attempt the costly task of meeting the full bill for building up the hours of flying experience that an engine must have. The Ministry of Supply, uncomfortably pinched between the expanding demands of the services and the Treasury's pressure for defence economies, has at last given Rolls-Royce the assurance of help that the company wants, but just how the Conway will be flown and in what military aircraft, other than one of the big bombers, has still to be decided.

This undertaking has been having repercussions on the other major engine builder in this country, the Bristol Aeroplane Company. The Bristol Olympus engine is in the same power class as the Conway—at present in the 12,000 pound thrust class and working up to 20,000 pounds or more as development proceeds. Like Rolls-Royce, Bristol has agreements in the United States to make engines available if the American airframe manufacturers should need them, and negotiations with Boeing for the Olympus have reached a new stage. But if the Ministry is trimming its programme, and is committed to supporting the Conway, must it mean that the axe will fall on the Olympus? It would be ironic if it did, for the engine's designer, Dr Stanley Hooker, was largely responsible for the Conway engine when he worked for Rolls-Royce not so long ago.

Most of the strength of this country's aircraft industry is in its engine factories, as the Americans recognise, and it would seem a false economy to cut off one of the most notable engines in this country, which still holds the world's altitude record, when money is still being spent with apparent lavishness in other less rewarding directions.

Britannia Indisposed

THE engines of the Britannia airliner have developed what engineers like to describe as a slight cough. Like asthma, the condition came on at first only in certain climates, namely, in the area of wet cloud known as the inter-tropical front in Africa. But lately it happened not in Africa, but on a journey from Frankfurt to London; a flurry of alarm ran round London Airport, the condition was taken much more seriously and proving flights were temporarily stopped. The "cough" is in fact the extinguishing of the flame in the combustion cans by an unusual concentration of water and ice in a damp-laden atmosphere coming into the engine. The flame can be re-lighted immediately and an easy way of combating the condition is to keep the ignition permanently switched on. But it is nevertheless a disturbing phenomenon to have developed after so many hours of flying, and to develop in the comparatively normal air conditions found over Europe. Bristol is taking a Britannia with modified engines to Africa in a few days' time and believes that the answer has been found, but the BOAC schedules have been upset and there is now no chance of the airliner going into service on the day tentatively pencilled in, July 3rd; a date in August now seems more likely.

Record Dollar Exports

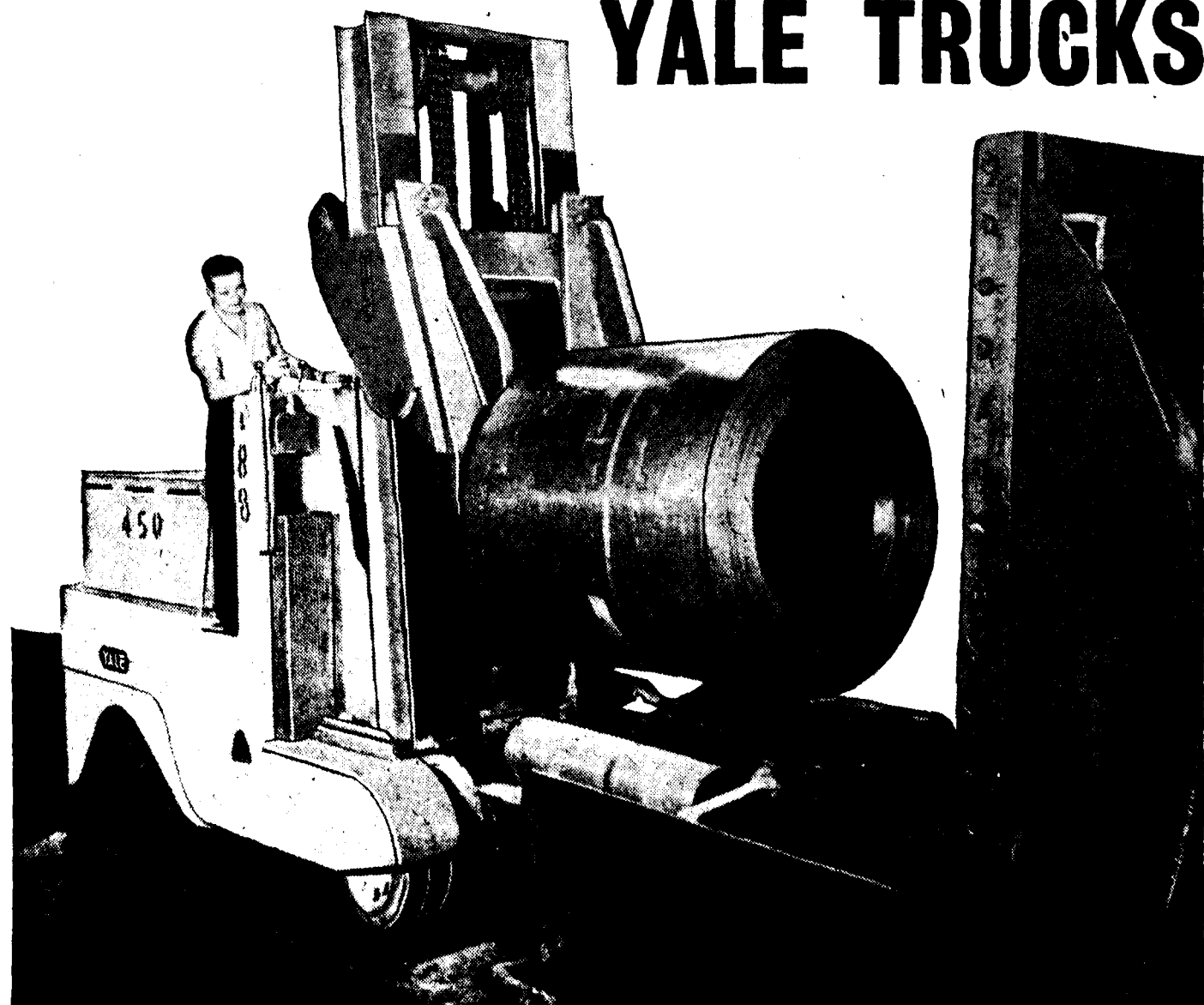
THE provisional returns of British overseas trade in April show that the recent improvement has almost been maintained. But the trade deficit is still too big for comfort. Exports last month fell by £14.9 million to £256.4 million fob. April had one working day less than March, however, and the daily rate of exports was unchanged. The average value in the first four months of the year was £257.9

UNITED KINGDOM TRADE
(£ million—monthly averages or calendar months)

	Imports cif	Exports fob	Re-exports fob	Trade Deficit
1955:—				
1st quarter....	335.1	247.3	10.6	77.1
2nd ".....	299.8	217.0	8.2	74.6
3rd ".....	327.1	243.2	9.5	74.3
4th ".....	334.3	261.0	11.2	62.1
1956:—				
1st ".....	328.3	258.4	13.6	56.2
April*.....	327.3	256.4	13.7	57.2

* Provisional.

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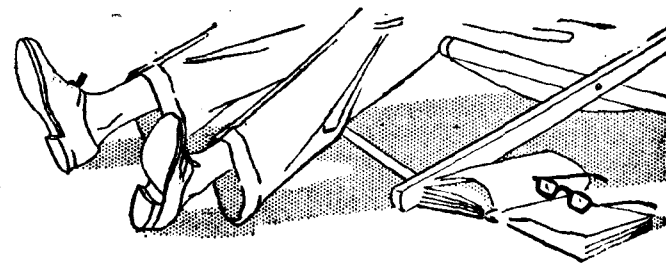
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million, 4½ per cent more than in the same period of 1955, when shipments were inflated by the over-spill from the October, 1954, dock strike. Imports in April fell slightly by £2.9 million to £327.3 million c.i.f. The total seems surprisingly low; it had been expected that some shipments held back in previous months by bad weather and strikes in other countries would arrive in April. The details published later this month may throw some light on this. The average value of imports from January to April was £328 million, just one per cent less than in the same period of last year. With re-exports £400,000 higher at £13.7 million, the trade deficit rose by £11.7 million last month to £57.2 million. That was only fractionally higher than the average in the first quarter, and the average of £56.4 million in the four months was nearly £18 million less than in the same period of 1955.

Exports to North America continued to increase; they reached a new record of £33.8 million last month, £5.3 million more than the first quarter's average. Shipments to Canada rose sharply by £2.5 million, compared with the previous month, to £15.9 million, and shipments to the United States were £800,000 higher at £17.9 million.

More Realistic Steel Prices

THE increase in steel prices announced last week took no account of recent rises in wage rates in the industry and in railway freight charges; nor could it take any account of the increase in coal prices that, as the National Coal Board has since announced, is about to be made. This increase—about 5 per cent for most of the basic prices in the maximum price schedules published by the Iron and Steel Board, with some revisions of extras for particular products—derives mainly from increases in the cost of imported materials, and partly from the increase in the price of home-bought scrap authorised by the Board of Trade a few days before.

Imported iron ore, scrap, pig iron and semi-finished steel, which are bought centrally for the steel industry, have all risen markedly in price during the last twelve months; there has, moreover, been a sharp rise on ocean freights. These costs are now being passed on to steel consumers; some had already been passed on to the steel producers who buy these imported products at British prices from the industry's central importing agencies. The loss on buying such products at high foreign prices and selling them more cheaply to producers here is met out of a central fund financed from levies on output throughout the industry. For some time this fund must have been in deficit on its current payments in and out, though cuts in the imports required in 1954 and in freight rates probably left it with a comfortable accumulated surplus. In December, the Iron and Steel Board increased by 10s. a ton the price at which foreign imported ore was sold to producers, and this week has increased it again by 11s. a ton; over the year, therefore, producers using imported ore have not only had to stand the actual increase in landed prices, but have suffered a reduction in the margin they enjoy compared with the world price of ore.

Last week's increase in the price of scrap purchased in Britain was another moderate but significant step towards

realism in the iron and steel industry's internal pricing system. About 18 months ago this price was raised from about £6 to about £8 a ton, under cover of talk about higher prices for better segregation of scrap; last week the price went up again to about £10 a ton. As comparable materials for steelmaking, scrap is worth, say, 80 per cent of pig iron; since the pig iron price is now about £18 a ton, this suggests that scrap might be worth perhaps £14 a ton. Even last week's increase, therefore, leaves some way to go. Many people in the industry are still prepared to argue that the price of scrap has no effect whatever on the amounts the industry can collect. Nevertheless, this latest increase in scrap prices is linked with a drive to collect more old iron and tin cans from the domestic user—by making it more worth while for local authorities to separate this out of the refuse they have to handle at dustworks.

Flags of Convenience

THE chairman of Peninsular and Oriental Steam Navigation Company, Sir William Currie, like the chairman of Cunard Steamship Company, Colonel Denis Bates, devoted much of his speech at Wednesday's annual meeting to a subject that deeply troubles British shipowners: whether something should be done to prevent legal tax avoidance by shipowners who transfer their fleets under such flags as those of Liberia and Panama and thus virtually escape national taxation. As Sir William put it: "When the next slump in shipping occurs shipping companies who bear in full their respective national responsibilities will find it hard to compete on price with those who can always undercut them by the whole cost of taxation, social services and the like."

The chairmen of these two big liner companies see alike on the seriousness of the problem. On its possible corollary: "If nothing is done about it, why should we not take advantage of the same opportunities?" there seems to be a difference of emphasis. Speaking to Cunard share-

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holders a month ago, Colonel Bates said that if Cunard had been working under a flag of "advantage" over the six years 1949-54 its profits would have been increased by £14 million. Sir William Currie, after a somewhat fuller analysis, reaches the conclusion that: "The advantage for an established British Company is not at first sight very obvious." He makes two points: that the foreign (or perhaps Bermudan) subsidiary formed to operate the P & O fleet would have to pay British tax on that part of its profit that it remitted, and that it would not attract the valuable investment allowances still granted to shipping (though replaced by initial allowances for other industries).

Possibly the right path lies somewhere between those views. But at least it is clear that the Government as well as the shipowners have been made aware of the dangers, and that if P & O has decided that at present there is no argument strong enough to justify hauling down the red ensign, it is the retention of investment allowances for shipping that has done the trick.

Shipbuilders' Prices

IT is now revealed that though P & O decided last summer to build tankers and raised some of the money and reserved berths at British shipyards, no contract for building any of those ships has yet been signed. Shareholders who read the chairman's speech with care may feel that they have guessed the reason. Sir William Currie was vigorous in his denunciation of the shipbuilders' present methods of charging: "Few things are more commercially demoralising than to live for long on a cost plus basis." Sir William is not now demanding firm prices from the British shipbuilders. He agrees that the buyer of the ship must for the present take the risk of higher wages, longer holidays, shorter hours or increased material costs in the shipbuilding industry.

What he asks is that shipbuilders should fix a quantum of the materials and work to be used on any job and accept the risk that an excess quantity of either may be required. He does not agree—and the reservation seems modest enough—that the buyer should be asked to bear the risk of inefficient planning or labour handling or indeed of any form of inefficient management at the shipyard. If P & O with enormous orders in its pocket can make those conditions, and it seems possible that it may, many shipowners will have reason to be grateful.

Flying the Atlantic Cheap?

THE two American airlines that operate across the North Atlantic, Trans-World Airlines and Pan American, have let two boisterous cats loose among the pigeons by announcing schemes for cut-price flights on the North Atlantic just as delegates from all the major international airlines—including TWA and Pan American—were leaving for a general rate-fixing conference at Cannes. Their proposals are not identical, nor are the motives that prompt them. TWA wants to introduce a special 15-day excursion ticket this summer at a third below the standard tourist

fare. The 15-day ticket is a device TWA has already pioneered successfully inside the United States for attracting two-way traffic during the tourist season. If the ticket lasts only 15 days, the holders are bound either to go out or come home against the main stream of the traffic and use some of the seats in otherwise thinly filled airliners.

Pan American's proposal is more drastic. It is for an 18 per cent reduction in North Atlantic tourist rates generally, to come into force next summer. By that time, the airline will have taken delivery of a substantial fleet of new Seven Seas airliners and will have much more capacity available than its competitors. This puts it in a position to bid for extra traffic by offering lower fares, but whether Pan American would in fact be pleased to get a reduction as startling as 18 per cent is a matter that other airlines would question. Rate fixing between international airlines is a procedure that involves both hard words and hard bargaining. The fares are fixed by the International Air Transport Association, to which all the major airlines belong and governments whose airlines are members of IATA require foreign operators flying into their territories to observe the rates laid down. Thus neither Pan American nor TWA would be able to move unless their schemes were approved at the IATA conference that opens at Cannes later this month; without such approval, they might be refused permission to land in just those European countries to which they want to operate the cheap services. Knowing this, other operators are inclined to dismiss the Pan American proposals in particular as a manoeuvre not quite in accordance with club rules; it could also have been designed for home consumption, since American operators are in some trouble with their own licensing organisation.

Canadian Dollars in Demand

THE undertone of sterling has remained steady this week. New York is still a persistent commercial buyer and on Tuesday the sterling-dollar rate rose to a middle figure of \$2.81, the highest level since August, 1954. There has been a modest recession from this rate, but the evidence of the markets suggests that the Exchange Equalisation Account has continued to gain dollars during the last few days. The main reason for the inability of sterling to maintain the whole of its advance against the US dollar has been the persistent demand for Canadian dollars, the rate for which has improved to \$2.78½; this demand has helped to hold down the rate of sterling against the US dollar. Buying of Canadian dollars has been varied and well spread. It is largely commercial, to pay for aluminium and grain. Grain is now moving from Vancouver to Russia under the inter-governmental contract. Substantial shipments are also being made from Montreal to United Kingdom and continental ports. The frost damage to the European grain crops is causing European grain dealers to buy more Canadian wheat and barley. There has also been some financial demand for Canadian dollars. Part of this is due to the movement of short-term funds, encouraged by the recent increase in the Canadian bank rate. Part of it is of more permanent character. It includes transfers to Canada of such funds as the capital to be invested by the Five Arrows

(Continued on Page 603)

Can Shell Find £1,000 Million?

THE achievement of the Royal Dutch-Shell group stands for all to see in its accounts and statement of progress. In 1955 the group's total income increased by £200 million and exceeded £2,000 million for the first time, while its net income jumped from £134½ million to £160 million. It was a year of high prosperity, in which world demand for petroleum products again shot ahead and in which Shell (doing a quarter of the world's business outside the United States) fully shared. Fuel oil prices also rose and the gross profit per gallon of the group's sales was about 1½d. compared with 1½d. in 1954.

World production of crude oil and natural gasoline rose from 750 million tons to 840 million tons. Shell produced 101 million tons against 92 million tons in 1954. Development and the sale of specialised products went ahead. Of oil and chemical products the group's sales have advanced from 37 million tons to 92 million tons over the decade 1946-1955. Shareholders of "Shell" Transport—the British partner of the group—receive £12½ million in dividends compared with less than £2½ million ten years ago. There is occasion for satisfaction; there is no occasion for investors to be awe-struck just because the figures are astronomic. Shell—a well-managed group in an industry that is in the ascendant—showed a rise of nearly 13 per cent in its net income last year which some other well-managed and well-placed undertakings both large and small could match.

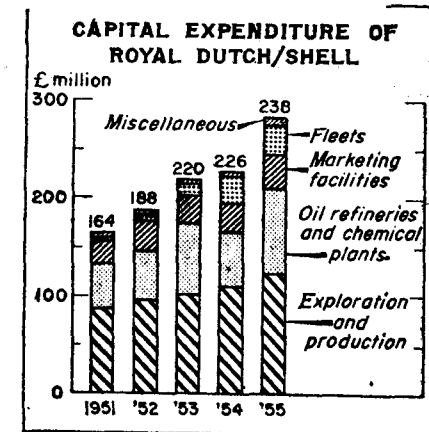
Shareholders this year can have a better look at their property than ever before. The company is excused from producing a consolidated balance sheet. But the reason for the exemption is not sinister. It is simply that there is nothing to consolidate. "Shell" Transport holds 40 per cent and Royal Dutch 60 per cent in the group's operating companies; the company is an agglomeration of minority interests. But the

board has this year carried those investments into the British parent's accounts on the basis of the 40 per cent proportion of the net assets of those operating companies instead of their cost. The effect is the same as a consolidation. It is in no sense a writing up but it discloses an investment of £443.4 million and capital reserves amounting to £371 million.

Shell's real problem is created by its own growth. The group invested in its own business £283 million last year. Year by year new investment essential to develop the markets and the oil reserves has been rising. Lord Godber, the chairman, foresees that it will be about £300 million this year. It is no wild guess to say that Shell will have to find £1,000 million of new capital somehow in the next three years. When such great figures are set against the limited capacity of the capital market, the comparison begins to look frightening. Whence is new investment on this scale to come?

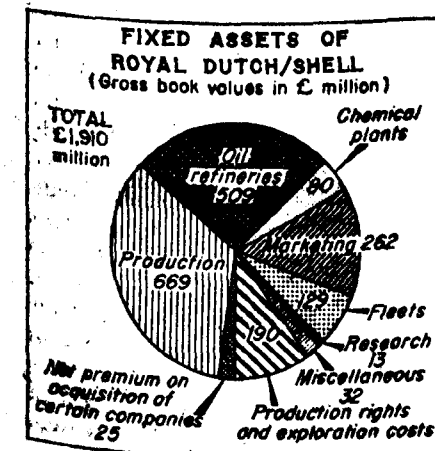
The consolidated accounts give a first impression that the group is weighed down with cash awaiting investment: current assets exceed current liabilities by £526 million; those current assets include £344 million of cash and short-term marketable securities; puzzled pundits wondering where the Government's near maturities are held might give this balance sheet a glance. Yet the group's liquid assets do not greatly exceed its need of working capital. New fixed investment will have to come from new resources.

It is just possible to imagine that the London capital market on the most favourable day and on the most favourable terms might swallow an issue of £50 million. A more normal assessment of its capacity might be half that figure. The Shell group has every capital market in the world assessed and the markets will no doubt be offered what they can take. But the bulk of the new capital



will have to be self-generated as it has been in the past; shareholders' profits and (to the extent that they can be controlled) the prices that consumers pay will have to reflect the fact that oil is one of those industries that doubles itself in ten years and is expected to go on doing so. Last year the profit on oil increased, and the group was exceptionally fortunate. It retained £127 million of profit and provided £171 million of depreciation, so ploughing in a little more than actual capital expenditure of £283 million. The problem will recur and a conservative dividend policy alone will not solve it. A total of £33½ million was distributed to the shareholders of both the British and the Dutch companies last year. That sum is little more than a tenth of the anticipated capital expenditure for 1956.

In practice it is the margin between costs and selling prices that has provided the lion's share of the capital needed, and there seems no doubt that the oil price structure must continue to contain an allowance for the future if expansion is to continue—which is not the easiest point in public relations for an industry that is sensitive to criticism about its pricing arrangements. What Lord Godber calls "a happy prospect for the future requirements of oil products," must at least prevent oil prices falling. He recalls with satisfaction an earlier forecast that fuel oil prices must rise if increasing supplies are to be assured.



SALES AND INCOME (£ million)

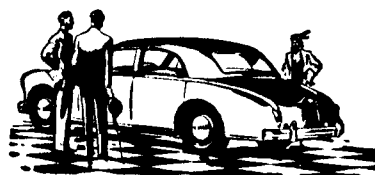
	1954	1955
Sales proceeds and other income	1,882	2,052
Operating expenses, etc.	1,033	1,142
Sales taxes, etc.	406	444
Depreciation, etc.	155	171
Gross income	288	295
Dividend income	7	8
Loan interest	6	6
Taxation	107	117
Minority interests	17	18
Net income	134	160
Dividends to:		
Royal Dutch (60%)	16	20
Shell (40%)	11	13
Capital invested	220	220

ASSETS AND LIABILITIES (£ million)

	1954	1955
Fixed assets	1,910	1,910
Net fixed assets	707	821
Investments	104	104
Material stocks	95	95
Oil stocks, etc.	216	240
Debtors	199	244
Securities	253	244
Cash	93	100
Net current assets	467	636
Long-term borrowings	147	171
Minority interests	112	126
Net assets applicable to:		
Royal Dutch (60%)	588	665
Shell (40%)	392	443

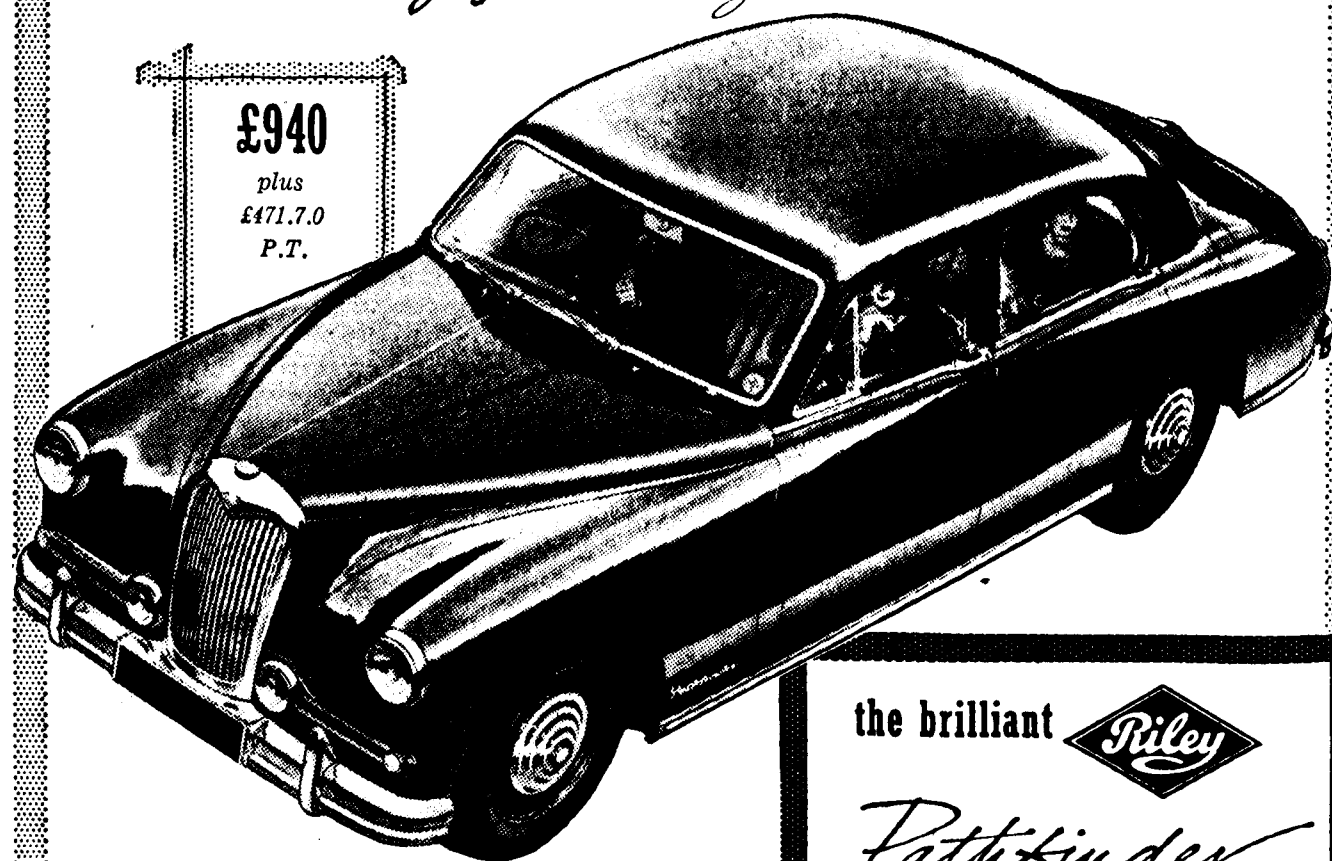
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Pathfinder

(Continued from Page 600)

Security Company, which comprises important British, Belgian, French and Dutch interests. In addition the preliminaries in the bidding for the Mersey Paper Mills in Ontario may have begun to influence the market for Canadian dollars.

Discount Company Results

THE smaller discount houses, it seems, have come through the dear-money storm in Lombard Street a good deal more smoothly than might perhaps have been expected. For the calendar year 1955, it will be recalled, two of the "Big Three" companies were obliged to reduce their dividends and to show substantial depreciation on their bond portfolios after applying the whole of their inner reserves in writing-down or in providing credits for profit and loss account. Of the six companies that have reported since then, two and possibly three have valued their bonds at or below market value, without having to draw for the purpose on published reserves, and all of them have maintained their dividends. Smith St. Aubyn has been able to state, indeed, that it still retains a "substantial" inner reserve; and Allen Harvey and Ross, which also wrote its portfolio down to market value, showed an increase in profit in spite of the fact that this was computed after a transfer to inner reserves, whereas the 1955 balance included a transfer from such reserves. King and Shaxson, for whom only preliminary figures are so far available, has announced an increase in profit from £65,412 to £95,008, has transferred £25,000 to general reserve, and has maintained its dividend on a capital as increased by the previous year's scrip bonus.

The three companies that have this year shown investments at a book figure above current market value are Cater Brightwen and Co., Gillett Brothers Discount, and Jessel Toynbee and Co. The disclosed depreciation, ranging from 2½ per cent to under 1½ per cent, was in each case comfortably covered by the amount of the published revenue reserves.

Unfair to Poor and Rich

THE provisions in the Finance Bill on the first £15 a year of interest in the Post Office and in the ordinary departments of the Trustee Savings Banks have escaped general attention. As foreshadowed in the budget speech interest remains at 2½ per cent. For the Post Office with its vast handling problem there is really no alternative between 2½ per cent (½d. per £1 per month) unless a level of 5 per cent (1d. per £1 per month) were considered. The first £15 of interest is as forecast to be free of income tax. For the man paying the standard rate of tax the return provided is thus equal to 4.35 per cent gross, provided he does not let his investment exceed £600. For the very small

investor liable to no tax the return remains at 2½ per cent and he could obviously do better elsewhere.

It has not been generally noticed that the first £15 of interest will still have to be grossed up notionally for investors liable to surtax. For those tax payers Post Office interest will have to be assessed in two portions. The first £15 will be excluded from the income tax return but included, with grossing up addition, for the surtax calculation, while the surplus over £15 will be brought into account at the actual figure for both income tax and surtax. It would not be an enormous concession and would greatly simplify assessment if the Chancellor would make the interest on the first £600 of deposits "such amount as after deduction of tax would leave 2½ per cent."

Future Film Finance

IN March, 1957, the lending powers of the National Film Finance Corporation—which since 1948 has provided a revolving fund of public money to finance film production in Britain—will come to an end under present legislation. During the period the corporation has advanced about £12.3 million to back films, of which about £5.5 million has so far been repaid. Of the remainder, the corporation has written off or provided against probable losses on films about £4.7 million, including about £55,000 during its last financial year which ended on March 31st. Nearly £3 million of this total loss represents advances to the former British Lion Film Corporation that had to be written off, though the corporation thinks that its ownership of the whole share capital of the successor company, British Lion Films Ltd., is worth more than the nominal £600,000 at which this stands in its balance sheet. On other film production, the corporation has thus lost about £1.7 million in 7½ years. Mr David Kingsley, its managing director, defined his purpose last week as first, not to lose more money than he can help, and secondly, to make sure that competent film producers stay in business. He added that "British independent production as a whole is still unprofitable, and with the present downward trend in box-office takings, this state of affairs is likely to continue." It would be right to infer that the standard of competence required in film production differs from that usually demanded in other industries.

Within the seldom stated but broadly unvarying film policies of Labour and Tory governments—that cinema exhibitors should not be allowed to get their heads too far above water, nor film producers to drown—the corporation may be said to have fulfilled its purposes competently, at least by film industry standards, particularly as the decision to pour good money after bad into British Lion was taken elsewhere. A significant proportion of British film production in the last two years has been financed without its assistance, by the Rank group and by American-controlled distributors, whose plans for this year account for about a third of the total feature films likely to be produced. The corporation is now gathering advice about its own future and that of the industry as a whole, in order to formulate its own views for the Board of Trade—which will have to devise, and possibly even define, some further film policy by the autumn.

Tobacco's Other Worries

THE cigarette trade has lately been having troubles of its own without any assistance from medical or statistical research on the causes of lung cancer. These other worries arise from the sharp competition that broke out early last year when tobacco supplies virtually matched demand for the first time since before the war; they may be a fore-taste of the tough conditions that the trade expects when the Restrictive Trade Practices Bill is passed into law this summer. The latest argument between the retailers and wholesalers on the one side and the manufacturers on the other over the size of distributors' margins appears to have been patched up for the time being by the increase in tobacco duty last month; this allowed the manufacturers to find room for slightly bigger trade margins in the process of rounding off new retail prices to the nearest penny. It has given place again to the battle for markets between manufacturers; and this in effect is being fought out by the branches of the giant and most successful Imperial Tobacco Company and all the rest, among whom Gallagher carries most of the guns.

Two new cigarettes have been launched this month, "Time" by Churchman in the Imperial group and a Dunhill "spun fibre tip" by Carreras, which had to pass its interim dividend last year. But the major controversy has arisen over the "Exclusive" cigarette launched last September by George Jackson, part of the Amalgamated Tobacco Corporation which has been trying to emerge from the "red" for the last two years. The company re-introduced the system of coupon trading that disappeared from the trade when the Tobacco Trade Association was formed with the backing of the larger companies in 1934. Price cutting and coupon trading were then dropped and collective resale price maintenance was introduced. Since these arrangements were frowned on by the Monopolies Commission in its report on collective discrimination last summer and seemed likely to be banned by the new bill, George Jackson decided to get in first. It enclosed coupons worth 3d. in cash or equivalent value in each 3s. 10d. packet of twenty "Exclusive" cigarettes and was able to open up 5,000 trade accounts within the first month or two. The efforts of the Tobacco Trade Association to stamp out this form of sales stimulant have achieved some success. But its authority will disappear with the new Act and several other smaller cigarette firms are only waiting for the Association's power to impose sanctions to be swept away before they issue coupons too.

Mouse from the Building Societies

AFTER long deliberation the council of the Building Societies' Association has disclosed its thoughts on interest rates. It advises its members to make no change in share or deposit interest rates (at present these are generally 3 per cent net and 2½ per cent net, respectively). Nor does it advise any change in the mortgage rate charged to existing borrowers. It does recommend, however, that the minimum charge to new mortgage borrowers should in future be 5½ per cent, which many societies in fact already charge.

The association obviously has made the very minimum concession to dearer money, and to the savings theme of the budget. No alteration in rates has been made, it is worth recalling, since before the Bank rate was raised from 4½ per cent to 5½ per cent. Nor is there any concession to the fact that from August 1st the return on savings certificates will rise from £5 5s. 11d. per cent to £7 5s. 11d. per cent (gross equivalent at standard rate of tax). The association draws attention to the fact that its members offer facilities for withdrawal at short notice, whereas "some other forms of savings"—an obvious tilt at savings certificates and defence bonds—yield the full rates only if they are retained for a period of years.

The association knows well enough that a substantial unsatisfied demand for mortgages still exists. Does it hope that the mere raising of the charge to new borrowers (by those societies that have not done so already) by not more than ½ per cent will bring the demand for new advances within the supplies of money? It seems unlikely; those societies that already charge 5½ per cent are getting all the mortgage business they want. Those societies, several important ones among them, that will now increase their charges to new borrowers will be earning some extra margin to meet the probability that the composite rate of tax they pay this year may be appreciably increased. But the movement as a whole is betting on the chance that the next move in money rates will be downwards and may not be too long delayed. They have thought long and they may be right; but there is an impressive weight of opinion that takes the opposite view.

Glass by Electricity

UNTIL this week electricity has always been thought too dear a fuel for making glass in Britain. Here electricity is relatively more expensive than gas or oil, though in Switzerland and other countries where the balance of competitive fuel costs is more in favour of electricity electric furnaces of conventional design have been used satisfactorily in glass making for some time. But work has been going on here for twenty years in developing a commercially practicable all-electric furnace and last Monday Mr Anthony Gell revealed in a paper read to the Society of Glass Technologists at Stourbridge that his company, the British Heat-Resisting Glass Company, makers of "Phoenix" glassware, had in fact succeeded after five years' research. Electricity has held out tantalising possibilities to glass technologists ever since it was discovered that at certain high temperatures the resistance of glass to electric currents declines sufficiently to allow currents to be passed through it. Thus heat can be developed within the glass as it melts, with much higher thermal efficiencies than when the heat is applied externally by flame.

Mr Gell and his associate, Mr D. G. Hann, have evolved a new furnace that is much more efficient than existing conventional structures. Instead of the normal longitudinal furnace, through which the melting glass moves horizontally from the introduction of the "frit" of raw materials at one end, through the melting zone, to the refining zone, and thence to the discharge throats at the other end, they designed a furnace in the shape of a cube through which the materials move downwards as they melt. This structure

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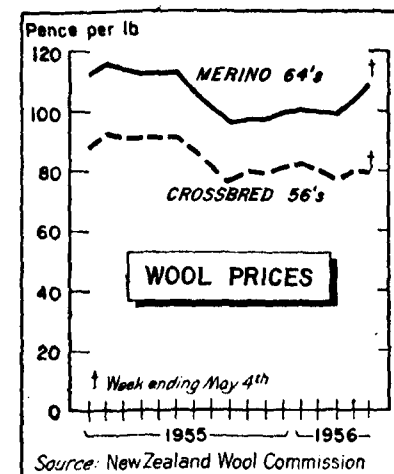
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offers several advantages. The molten glass in the furnace has a smaller surface area in relation to its volume; the last batch of unmelted materials on this exposed surface forms a floating crust that is almost as efficient an insulator as the surrounding refractory materials; a high density of current can be concentrated throughout the melting and refining zones; and there are certain economies in materials. A higher throughput can thus be obtained for the same space and heat losses are lower. So far thermal efficiencies of 50-60 per cent have been achieved, against 5-10 per cent in fuel-fired furnaces; it is claimed that capital and maintenance costs are cut by half; and it seems that fuel costs may also be lower, though it is not clear whether this would be true for all grades of glass.

Recovery in Wool Prices

THE recovery in wool prices has taken the pessimists aback. With barely two months of the 1955-56 season to go, prices of merino wool are now appreciably higher than when the season opened in September, though they are still below the closing levels of last season. The recovery in crossbred prices has not been fully held, but they are still as high as when the season began. The sharp rise in merinos recently may have been overdone. It evidently owes much to heavier buying in Australia by Japan. Other countries, mindful of the need to buy sufficient wool before the season ends, have been obliged to follow the market up. Demand has probably also been stimulated by labour troubles among Australian shearers and storemen, which have held back wool from the auctions. A point of more lasting importance is that demand seems at last to be moving in favour of merinos at the expense of crossbreds. The premium for merinos had become so small that their return to popularity seemed overdue. That shift in demand is supported by signs of a change in women's fashions from woollen to worsted cloth, and hence from crossbred to merino wool.

The rise in merino prices will be as welcome to Australia's suppliers as to Australia itself. As the largest producer of merino wool Australia had borne the brunt of the previous fall. In the nine months July to March its wool cheque fell by £30 million, compared with the same period of 1954-55, to £188 million, despite an increase of 35 million lb to 926 million lb in the quantity sold (and that decline in wool income followed a similar decline in the whole of the 1954-55 season). New Zealand, which produces crossbred wool, has fared much better; its earnings between July and March totalled £56 million, the same as in 1954-55, the quantity sold having risen by 18 million lb to 289 million lb.



Insurance Shareholders Do Well

NEARLY all insurance companies have now declared their final dividends and many have published their accounts for 1955. The table giving a further batch of these shows that both dividends and bonuses to policy holders have been moving upwards, but as with the increases shown in earlier declarations the movement has been uneven; in general those composite offices whose results rely in only small proportion on life business showed the least favourable figures. Investors have greeted the Chancellor's proposals for pensions for the self-employed with an enthusiasm that implies a longer view than some may realise. As Lord Knollys, the Chairman of the Employers' Liability, has recently pointed out, it will be many years before any benefit can accrue to shareholders from the increased annuity business likely to result.

INSURANCE BONUSES AND DIVIDENDS

Company	Reversionary Bonus		Dividend		Price May 9
	Previous	Current	1954	1955	
Atlas (10/- paid)	s. d. 35 0C	s. d. 45 0C	s. d. 3 6	s. d. 3 6	80/-
Commercial Union 5/-..	40 0C	42 6C	3 4	3 8	92/6
Eagle Star 10/-.....	40 0S	(a)	5 6	6 0	7½
Employers' Liability £1*	35 0S	50 0S	5 0	5 0	6
General Accident £1*..	30 0(b)	45 0(b)	7 6	8 6	11½
Guardian £1	50 0S	50 0S	7 6	8 0	11½
London & Lancs. £1*..	32 0C	(a)	7 0	7 0	7½
Phoenix £1	38 0S	43 0S	20 0	20 0	24
Royal Exchange £1 ...	42 0S	(a)	5 0	6 0	7½
Scottish Union & Nat.					
"A" (£1 paid).....	36 0S	42 0S	8 0	8 0	7½
Sun Insurance £1.....	—	—	5 6	6 0	7½

(a) No change announced.

(b) Minimum rate.

* Life and annuity business transacted by subsidiary companies.
S = Simple. C = Compound.

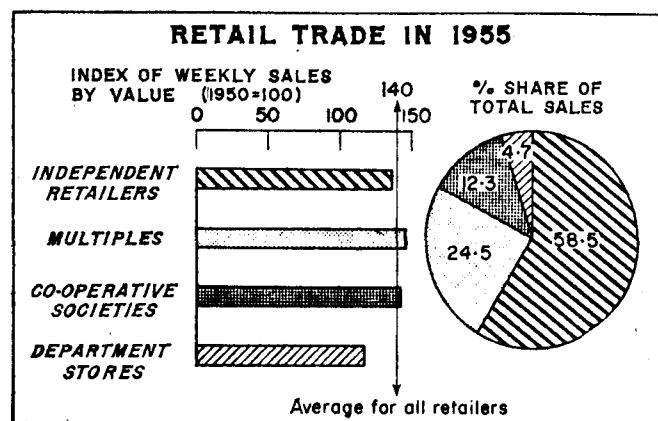
Fire and accident premium income expanded further last year, but underwriting profits were on the whole lower than 1955, which was an average postwar year. Profits from the fire departments (in which "special perils" were underwritten) were moderately higher than 1954, which year bore exceptionally heavy hurricane losses, but the belated improvement towards the end of 1954 at home and abroad in motor insurance results (which dominates the accident accounts) seems to have petered out again. The modestly higher dividends of the composite insurance companies have been covered by higher interest income on non-life assets.

A New Index of Retail Trade

THE promised overhaul of the monthly retail trade figures has now been completed. The statistics for the independent shops were revised by the Board of Trade last year; now those for the large retailers have been treated in a similarly drastic way. A welcome outcome of all this is the

first comprehensive index of the movement in retail trade as a whole—a result which, as its critics should note, could never have been brought about but for the 1950 census of distribution. Here, at last, is a monthly measure of the sales that account for over half of all consumer spending.

The panel of contributors is much larger and more representative and the construction of the index numbers is on a much sounder basis. Yet, as the Board of Trade is the first to admit, there are still weaknesses in these statistics. Some of these it is hoped to remedy but others are probably inherent in the intricate patchwork of retailing. The sales figures are now grouped according to "kind-of-business" instead of on a commodity basis. The records show, for instance, the sales by grocers rather than the sales of groceries—a less useful classification but one which all shops, large or small, can readily provide. Unfortunately



sales of some goods cannot be traced at all. Tobacco sales, for instance, are lost among those of grocers—and with the co-operative societies this may be an important outlet—or with the confectionery and newsagent trade. Nevertheless the new figures do provide a reasonably sound and practical way of assessing the general trends in retailing, assuming that the experience of the panel of contributors since 1950 is representative of the experience of all shops. The new figures have not radically changed the broad picture of retail trade since 1950, but they have thrown up long-suspected inaccuracies in some of the measurements from month to month.

In the first two months of this year, retail sales were 3 per cent higher in value than twelve months before—an increase less than the rise in prices. By March the lead had increased to 9 per cent, but this partly reflects the usual heavy buying before Easter which was earlier this year than last. Factors such as this always complicate the interpretation of these figures. Now that a more accurate measure of retail trade is available, it is to be hoped that the Board of Trade can see its way to correcting these figures for holidays and seasonal variations.

Sterling Area Trade in 1955

THE broad picture of sterling area trade in 1955, already sketched by the Economic Survey and the white paper on the balance of payments, is now completed by the summary published this week by the Board of Trade. It shows that Britain was almost wholly to blame for the sharp

deterioration last year in the sterling area's visible trade balance with the non-sterling world. Britain's imports from non-sterling countries rose by 23 per cent to £2,312 million, while its exports to those countries rose by only 10 per cent to £1,572 million. Imports from non-sterling countries by the rest of the sterling area rose by 15 per cent to £1,976 million, but exports rose nearly as steeply—by 13 per cent to £1,660 million. Of the increase of £91 million in the sterling area's trade deficit, Britain accounted for £73 million.

The rise in the rest of the sterling area's exports to non-sterling countries was mainly responsible for the increase of eight per cent in its total exports (excluding Middle East oil), the first increase since the Korean boom in commodity prices burst in 1951. At £3,684 million,

STERLING AREA TRADE WITH NON-STERLING WORLD (£ million, quarterly averages)

	1954	1955	Increase
Total exports.....	723	808	85
Total imports.....	896	1,072	176
Deficit.....	173	264	91
UK exports.....	357	393	36
UK imports.....	469	578	109
Deficit.....	112	185	73
RSA* exports.....	366	415	49
RSA* imports.....	427	494	67
Deficit.....	61	79	18

* Rest of Sterling Area.

total exports were about 18 per cent higher than in 1950. Staple exports like wool, rubber and tin played only a small part in that increase; it mainly reflected growth in other commodities, such as cobalt and other new metals, diamonds, and petroleum from sources other than the Middle East. The share of such items in the total exports of the rest of the sterling area has grown from 48½ per cent in 1950 to 53 per cent in 1955.

Exports from the whole sterling area also rose by eight per cent last year, to £6,708 million. Although that increase matched the rise in world exports, the sterling area has not kept pace with the longer-term expansion of world trade. Its share of the world total was only about 25 per cent last year compared with 28 per cent in 1950. There are two reasons for that disquieting decline. One is that trade in manufactures has grown faster than trade in foodstuffs and raw materials, which are the principal exports of overseas sterling countries. The other is that in manufactures British exports have not grown as fast as world exports.

SHORTER NOTES

The Chancellor of the Exchequer has disclosed that the cost of raising the starting point for surtax from £2,000 would be:

	Loss at present rates of tax on income above new starting points	Loss if present rates above £2,000 were applied to corresponding slices above new starting points
New starting points		
£3,000	£27 mn.	£46 mn.
£3,500	£40 mn.	£61 mn.
£4,000	£50 mn.	£73 mn.

The current year's estimate for surtax is £144 million.

In recording the Finance Bill's proposals to shift the basis of taxation on the foreign business man to the country where his work is done, *The Economist* last week said that it seemed foolish "to run this timely risk." The compliment to the Chancellor was not intended: the risk is untimely.

Last Friday's debate on no par value shares and the Gedge Committee's report was counted out, so that the motion requesting the Government to implement its recommendations was not put. The Parliamentary Secretary to the Board of Trade had earlier outlined the need for consequential fiscal legislation if NPV shares were to be permitted; and though he found the case for them properly made out, he made it clear that there was no prospect of early legislation.

Petrochemicals, Ltd., the Shell subsidiary which acquired the British rights to the "Ziegler" process of making polythene under low pressure, first developed three years ago by Professor Karl Ziegler in Germany, expects its first plant to be ready in about a year with an initial annual capacity of 1,000 tons. Development has still some way to go, but it appears that the lower capital cost of this new method will be more than offset by the cost of certain

materials it uses. Its qualities should, however, be greater than polythene made under the high pressure process.

At a meeting of the interim committee of the International Tin Council this week the representative of Indonesia announced that its instrument of acceptance would be deposited in London shortly. This is the last step needed to ratify the International Tin Agreement.

In the nine months to March 31st, Roan Antelope earned a profit before tax of £11,031,000 from a sales revenue of £21,681,000, compared with £7,400,000 from a revenue of £15,730,000 in the nine months to March 31, 1954. In the same period Mufulira earned a profit of £12,558,000 from a revenue of £23,802,000, against £8,271,000 from a revenue of £16,601,000. In the latest quarter Roan Antelope earned a profit of £4,339,000 and Mufulira one of £4,654,000.

The 1956 awards by *The Accountant* on the report and accounts of public companies have been made to Associated Electrical Industries and Folland Aircraft.

Company Notes

GUEST, KEEN AND NETTLEFOLDS. The jobbers' reaction to the preliminary statement of Guest, Keen and Nettlefolds for the year 1955 was to mark down the £1 ordinary stock units from 53s. 6d. to 51s. There was at the time some profit-taking in steel shares that made the market nervous but the price has since recovered to 51s. 9d. Guest Keen has a progressive profit and dividend record; engineering concerns, though costs were rising, were doing well last year; the group is adding continually to its productive capacity; and in the

	Years to Dec. 31, 1954	1955
Consolidated earnings:—		
Trading profit.....	15,956,697	22,754,701
Depreciation.....	2,850,200	3,492,429
Replacement reserve.....	701,596	729,970
Loan interest.....	331,468	503,109
Taxation.....	6,942,956	9,931,217
Net profit.....	6,402,222	8,342,950
Ordinary dividends.....	1,315,962	1,596,508
Retained profits.....	3,687,805	6,608,618

£1 ordinary stock at 51s. 9d. yields £4 13s. per cent.

latest year a full twelve months' profits from Guest Keen's iron and steel subsidiaries were included in the results, compared with only about seven months' in 1954.

The 1955 results are, in fact, excellent. The ordinary dividend has been raised from the equivalent of 10 per cent to 12 per cent with the declaration of a final dividend of 8½ per cent. Trading profits, before depreciation and taxation, have risen from £15,956,697 to £22,754,701 and though part of that increase must be due to the full inclusion of earnings from the

iron and steel subsidiaries, that can only be part of the story. In effect, Guest Keen provides for replacement of its assets at current costs by making appropriations to replacement reserves over and above the normal depreciation provisions. This charge and the provision for tax went up last year. Nevertheless, net profits jumped from £5,402,222 to £8,342,950, of which the net ordinary dividends absorb £1,596,508. The big earnings cover implies a high rate of capital investment, financed out of retained profits, and this is an important factor in any assessment of the current yield of 4½ per cent offered by the £1 ordinary stock units.

VICKERS. The £1 ordinary stock units of Vickers grew in popularity last year and the number of the company's stockholders went up from 58,116 to 62,225. The stock was rightly popular because the group was expanding in almost every direction. Last year the capital employed by the group rose from £90.3 million to £94.3 million; the number of its employees from 79,660 to 83,060 and its wage bill from £40 million to nearly £46½ million. Turnover, which is not revealed in an otherwise admirable report, must have risen as well, for the gross value of stocks rose from £108 million to £118½ million while instalment payments on contracts rose from £66.6 million to £80.2 million.

The final result was that trading profits after depreciation rose from £7.7 million

to nearly £12 million. If depreciation and other miscellaneous charges are added back, last year's gross profit was about £16½ million, £5 million more than that earned in 1954. Only part of that increase is due to the inclusion of a full year's profits from English Steel. Another reason for bigger profits is the increase in the rate of return on capital employed; in 1955 this rate was 13.9 per cent, compared with 10.7 per cent in 1954. These figures justify the increase in the ordinary dividend from 8½ to 10 per cent.

	Years to Dec. 31, 1954	1955
Consolidated earnings:—		
Total income.....	7,991,456	12,768,641
Loan interest.....	191,330	482,083
Taxation.....	4,091,731	5,938,376
Net profit.....	3,807,427	6,897,698
Ordinary dividends.....	1,294,666	1,680,567
Retained profits.....	1,679,800	3,573,713

	Years to Dec. 31, 1954	1955
Cons. balance sheet:—		
Net fixed assets.....	32,619,905	35,696,415
Net current assets.....	59,585,036	61,156,918
Stocks.....	41,482,222	38,052,068
Cash, etc.....	11,433,743	10,538,781
Reserves.....	32,452,677	36,104,353
Ordinary capital.....	27,709,839	29,227,244

£1 ordinary stock at 48s. 4½d. yields £4 12s. per cent.

Even more impressive figures may emerge this year, for in his review of the group's operations, the chairman, Sir Ronald Weeks, reveals that "in many works, full order books have committed production capacity for most of 1956 and, with some products, throughout 1957." The full impact on profits from the sale of the Viscount aircraft is still in the future; the group's shipbuilding yards secured more orders last year; the group's steel interests continue to do well; and if Metropolitan-Cammell Carriage and Wagon is faced with rising costs and

greater competition, it began the year with a full order book. Some of these future possibilities are discounted in the current yield of 4.6 per cent.

BOWATER PAPER. A mass of news for stockholders comes in the abridged report of the Bowater Paper Corporation. The company proposes to issue a fuller report, including the detailed accounts of its subsidiaries, later. Stockholders have already been informed that the gross trading profit in 1955 at £13,209,637 was higher than the profit of £13,095,463 earned in the previous 15 months and that the ordinary dividend has been effectively raised from 9 to 11½ per cent. They will now note that these dividend payments absorb £1,242,000 from a net profit of £3,588,314.

The directors now foresee that in the next few years the profits of the Tennessee Mills will be used to reduce the funded debt of Bowaters Southern Paper Corporation and accordingly there will be no immediate payment on that subsidiary's ordinary capital. The directors also say that "since the close of the year 1955 the high level of production and sales of the North American group has continued; in the United Kingdom there has been a slight slowing down in the packaging

—capital commitments at the end of the year were £20.4 million.

BRISTOL AEROPLANE.

The market price of the 10s. ordinary stock units of Bristol Aeroplane—currently 21s. 6d., giving a yield of 4½ per cent—is determined much more by the hopes of a rise in earnings coming from the sale of the Britannias than by the trading results of the immediate past. These and the dividend for the year 1955 were much as investors had expected. The group's trading profits rose from £2,825,304 to £3,322,903 and its net profits from £798,588 to £977,363, of which the ordinary dividend, repeated at 10 per cent, absorbs £398,475. The increase in net profits owes something to the tax relief on investment allowances (now replaced by the old system of initial allowances). In 1954 this relief reduced the charge for British tax by £105,000 to £624,000 and last year by £200,000 to £661,000; in addition the group had to provide £101,191 for foreign tax, compared with £90,830 in 1954.

BABCOCK AND WILCOX.

The £1 ordinary stock units of Babcock and Wilcox at 80s. xd yield only 3½ per cent on the dividend maintained at 15 per cent. The yield reflects the fact that this manufacturer of steam generating plant is now classed among the atomic power companies and hopes to count the atomic power stations among its best customers. The yield therefore looks forward beyond the current year.

Babcock and Wilcox ended 1955 in fine fettle. A new record in turnover had been

	Years to Dec. 31,	1954	1955
Consolidated earnings:—			
Trading profit.....	5,606,303	6,659,472	
Depreciation.....	806,713	1,070,659	
Replacement reserves	573,199	709,623	
Taxation.....	2,162,811	2,488,609	
Net profit.....	1,904,228	2,213,748	
Ordinary dividends.....	635,811	648,979	
Retained profits.....	1,104,971	1,398,944	
Cons. balance sheet:—			
Net fixed assets.....	8,016,655	8,677,663	
Net current assets.....	18,701,752	20,478,861	
Stocks.....	14,450,749	12,989,686	
Debtors.....	15,287,529	17,762,585	
Liquid assets.....	2,030,091	2,505,328	
Bank overdrafts.....	724,486	648,148	
Reserves.....	11,176,168	13,603,034	
Ordinary capital.....	7,524,398	7,524,398	

established; its total income had risen from £32.7 million to £33.6 million; the order book was most encouraging; trading profits had risen from £5,606,303 to £6,659,472; the company had obtained further contracts from the Atomic Energy Authority; and the chairman, Mr Lionel Fraser, takes "a sanguine view" of prospects.

But there is one snag. The group has "to devote substantial sums to the provision of new plant and equipment," and at the end of last year its outstanding capital commitments were estimated at £4,650,000, compared with a total of £2,505,328 in liquid resources. It was owing to the need to conserve resources "and especially having regard to the

present difficulties of the national economy," Mr Fraser explains, that the directors thought it undesirable to recommend an increase in dividend payments. It must be the hope of its 17,500 stockholders that once the new equipment is earning its keep this policy will be reversed.

CAMMELL LAIRD. "Although 1955 production shows an increase over the previous year, the results could have been very much better had we not been handicapped by strikes, overtime bans, and demarcation disputes." In these words the chairman of Cammell Laird, Mr J. C. Mather, explains why the group's trading profit in 1955 rose by only £88,053 to £1,272,387. But the decision to leave the ordinary dividend unchanged at 14 per cent does not seem simply to reflect this disappointing result. Nor does it seem to come from pessimistic assumptions about the future; Mr Mather says: "the trading prospects for 1956 appear to be good. Each operating company brought forward a substantial volume of uncompleted orders and since the end of the year the demand for products has continued to be in excess of capacity to produce."

It is the last phrase which is the key to a conservative policy. At the end of December the group held in liquid form, including quoted investments at market values, £8,653,710. This may seem a big sum, though it was bigger before the company re-acquired its quarter of English Steel Corporation, but the group has heavy capital commitments to meet. The acquisition of a 75 per cent interest in Patent Shaft and Axletree has already absorbed £700,000; there is a liability in respect of uncalled capital of £400,000; and Cammell Laird has agreed to lend Patent Shaft and Axletree £1,200,000 to finance development. Moreover, Cammell Laird has recently agreed to buy the freehold of its Birkenhead shipyard for £860,000 and its plans to construct a new large dry dock are in an advanced stage. After providing for these commitments and for working capital, the directors say that the balance of liquid resources, together with profit retentions in the next few years, "will be required to finance a comprehensive programme for the modernisation of the shipyard." On the dividend maintained at 14 per cent the 5s. ordinary units yield 6.8 per cent at 10s. 3d. xd.

WHITBREAD. This brewery has a large number of tied houses and in recent years it has been working to establish itself on a national level. It has been reinforcing its informal links with other breweries by taking up their shares. It has helped to sell Whitbread's bottled beers outside its own public houses. It has also been one of the leaders in drive towards improving the amenities of public houses. Its ambitious and constructive policy has so far served shareholders well. Profits have been rising despite

poor showing of beer sales as a whole in this country, and the company's shares are counted in the top flight of brewery stocks.

In the year to December 31st Whitbread's profits again expanded slightly. The movement is not entirely clear from the company's preliminary statement, which shows that in 1955 the profit after all charges, including tax (which has risen from £1,220,090 to £1,279,163) was £1,050,073, compared with £1,444,190 in 1954. But the latest profit includes only £42,567 of special non-recurring credits, compared with £497,754 in 1954. Once the figures have been adjusted, Whitbread's gross profit before tax appears to have risen from £2,166,526 to £2,286,669 and its net profits from £946,436 to £1,007,506. The company's policy of buying new brewing investments and improving its properties costs money, and it is not surprising that the directors have left the ordinary dividend unchanged at 21 per cent, absorbing £556,633. On this dividend the £1 "A" ordinary units yield 5½ per cent at 71s. 6d.

UNITED GLASS BOTTLE.

The manufacturers of glass containers and bottles, of which United Glass Bottle is easily the biggest, work a highly mechanised and highly geared production machine. Thus when, as happened last year, a period of "unprecedented demand" is met by record production, profits shoot forward. The gross profits of UGB in the year to December 31st jumped from £865,640 to £1,414,312, reflecting the rise both in quantity and value of turnover. Another reason for the rise in profits is that the 1955 figures include nine months' profits of the new Scottish subsidiary, the Alloa Glass Work Company.

This acquisition has made its mark in the consolidated balance sheet. Issued ordinary capital has gone up from £1,117,022 to £3,200,000, reflecting the free scrip issue and the rights issue which brought in £1,200,000, the money being used to pay for Alloa Glass Work. The net book value of the group's fixed assets has risen from £2,977,345 to £4,235,446 and a goodwill

item of £551,364 has been eliminated by a transfer out of general reserves.

At the time of the rights issue the directors said that the final dividend would not be less than 6½ per cent. They have done better by recommending a final payment of 7½ per cent, making 11½ per cent for the year, against the equivalent of 10 per cent in 1954. After the jump in net profits from £380,658 to £689,981, they could hardly have done otherwise. Indeed, the chairman, Mr L. A. Elgood, says that in the current year, in the face of "further considerable cost advances" the group has got off to a good start and that its order books are "healthy." But there are clouds in the sky. Domestic glassware is now subject to purchase tax; British tariff duties on foreign glass may be reduced; and competition from manufacturers of containers of materials other than glass is keen.

LONDON BRICK. As the ordinary dividend for 1955 of London Brick was set as long ago as last February at 20 per cent, compared with 17½ per cent in 1954, there was little in the company's full report to excite investors. It is, however, a record of sound progress. "The demand for the company's products," the directors say, "continued at a high level throughout the year and new records were achieved in makes and deliveries." This is reflected in the improvement in trading profits from £2,198,555 to £2,323,305 and in net profits from £786,969 to £895,189, from which the ordinary dividends take £448,500.

Part of the improvement in sales and profits was due to the installation of new capacity; additions to fixed assets, less sales, during the year came to £455,864. More money was absorbed in working capital, with stocks rising from £918,487 to £1,112,014 and debtors from £1,780,597 to £2,023,982. But retentions from profits more than balanced these increases and the group's liquid resources (including investments written down to market values) increased from £1,850,749 to £1,933,792. Thus there was really no reason why the ordinary dividend should not be raised. The £1 stock units at 60s. yield 6½ per cent.

LONDON STOCK EXCHANGE

Next Account begins: May 23rd

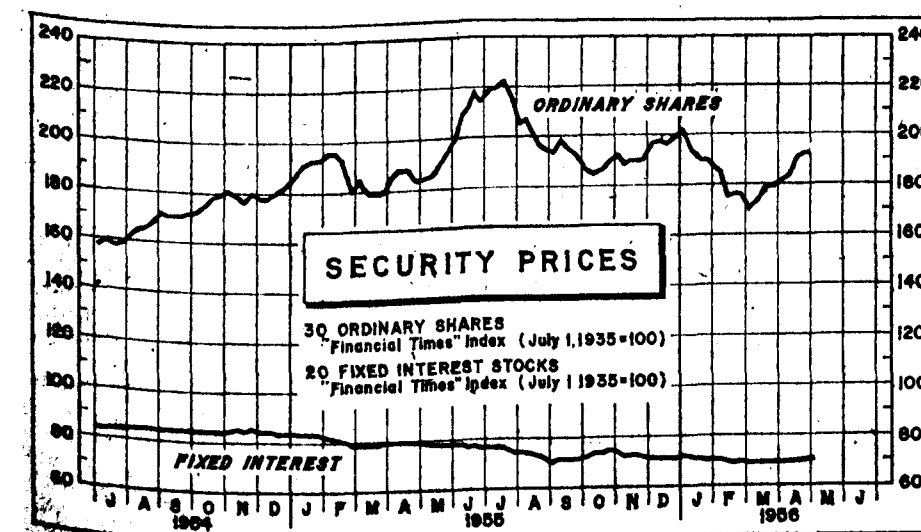
Next Contango Day: May 23rd

Next Settlement Day: May 29th

The further lowering of the Treasury bill rate last week had little effect on short-dated Government stock; 2 per cent Exchequer 1960 lost ½ to 91½ while 2 per cent Conversion 1958-59 was fractionally higher at 93½. Undated stocks weakened. 46 per cent of the new 5 per cent Essex loan 1968-71 was left with the underwriters and dealings started on Thursday at ½ discount.

Discount shares were firm, Alexanders gaining 1s. to 35s. 6d. and finance houses improved, United Dominions rising 6s. 6d. to 80s. 3d. Among the stores GUS "A" advanced to 42s. 3d. and Debenhams to 37s. 9d. Motors were mixed; Jaguar rose 2s. 1½d. to 22s. 9d., Leyland were firm at 47s. 9d., Standards recovered to 7s. 3d., but Ford lost 4½d. to 33s. 4½d. Rolls-Royce rose 6s. 7½d. to 110s. 7½d. De Havilland gained 1s. 3d. to 23s. 6d. xd but Bristol Aeroplane was unchanged after the results at 21s. 6d. John Summers improved 1s. to 47s. 7½d., but steel stocks were generally a little easier, Stewarts and Lloyds declining to 67s. 6d. BAT and Imperial Tobacco both weakened on Tuesday after rising earlier before the smoking announcement. Shipping shares were strong.

Royal Dutch and Shell Transport continued to rise to 79 and 84½ respectively; British Petroleum weakened 3s. 1½d. to 141s. 3d. during the week which included the dividend announcement and the false rumour that preceded it. Burmah rose to 93s. 6d., following the final dividend of 12½ per cent, making 17½ per cent for the year. Randfontein was particularly weak among gold mines falling 3s. 3d. to 41s. 9d., although better conditions prevailed in the Kaffir market on Wednesday. Coppers weakened, but the nine months' figures of Roan and Mufulira helped Roan which rose to 28s. 7½d. British Tin and London Tin rose 9d. and 4½d. respectively to 22s. 6d. and 10s. 4½d. Rubbers declined, United Sua Bet losing 4s. 3d. to 46s. 9d.



FINANCIAL TIMES INDICES

1956	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
May 3....	192.8	97.36	4.56	5.47
" 4....	193.1	97.33	4.56	5.50
" 7....	193.4	97.41	4.56	5.49
" 8....	192.5	97.41	4.57	5.51
" 9....	192.0	97.41	4.57	5.53
1956, High.	203.5 (Jan. 3)	99.37 (Jan. 3)	Total bargains	1956
" Low.	169.7 (Mar. 8)	94.75 (Feb. 17)	May 3	10,361
1955, High.	223.9 (July 21)	115.97 (Jan. 7)	" 4	10,171
" Low.	175.7 (Mar. 15)	98.23 (Sept. 2)	" 7	13,622
			" 8	10,447
			" 9	10,060

* July 1, 1935=100.

† 1928=100.

LONDON ACTIVE SECURITIES

Prices, Jan. 1 to May 9, 1956		BRITISH FUNDS AND GUARANTEED STOCKS		Price, May 2, 1956	Price, May 9, 1956	Net Yield, May 9, 1956	Gross Yield, May 9, 1956	Prices, Jan. 1 to May 9, 1956		Last Two Dividends (b) (c)	ORDINARY STOCKS		Price, May 2, 1956	Price, May 9, 1956	Yield, May 9, 1956
High	Low					£ s. d.	£ s. d.	High	Low						
98 1/2	97	Funding 2 1/2% '52-57	98 1/2	98 1/2	2 17 8	3 19 3	85/6	64/-	7 1/2	1 a	STEEL & ENGINEERING		79/-	80/-	3 15 0
99 1/2	98 1/2	War Bonds 2 1/2% '54-56	99 1/2	99 1/2	2 17 5	4 17 10	13/-	9/4	3 1/2	10 1/2	8 b Babcock & Wilcox £1		10/9	10/3	6 16 7
95 1/2	93 1/2	War Loan 3% '55-59	94 1/2	95 1/2	3 3 9	4 10 7	35/-	28/-	8 c	8 c	10 1/2 b Cammell Laird 5/-		32/3	31/3	5 2 5
100 1/2	99 1/2	Exchequer 5% 1957	100 1/2	100 1/2	2 14 5	4 13 2	54/9	40/-	3 1/2	8 1/2	8 b Guest Keen N'fold £1		52/6	51/10	3 17 1
99 1/2	97 1/2	Conversion 4% '57-58	98 1/2	98 1/2	3 2 6	4 15 3	55/6	41/6	15 a	4 a	4 b Metal Box £1		55/-	52/6	3 16 2
97 1/2	95 1/2	Serial Funding 2 1/2% 1957	97 1/2	97 1/2	3 3 11	4 3 3	75/-	61/-	5 a	12 1/2	12 b Stewarts & Lloyds £1		67/3	67/9	5 3 4
93 1/2	91 1/2	Conv. 2% 1958-59	93 1/2	93 1/2	3 10 11	4 10 10	48/-	39/-	4 a	8 b	8 b Summers (John) £1		46/6	47/3	5 1 7
91 1/2	88 1/2	Exchequer 2% 1960	91 1/2	91 1/2	3 10 10	4 9 11	57/-	46/6	3 a	11 b	11 b Swan Hunter £1		56/3	56/3	4 9 7
94 1/2	92 1/2	Exchequer 3% 1960	94 1/2	94 1/2	3 2 10	4 10 6	49/9	40/6	4 a	8 1/2	8 1/2 b United Steel £1		44/3	44/9	5 11 8
88 1/2	83 1/2	Savings Bonds 3% '55-65	87 1/2	87 1/2	3 6 0	4 14 4	44/3	32/4	2 1/2	7 1/2	7 1/2 b Vickers £1		41/9	42/9	4 13 7
91 1/2	88 1/2	Funding 2 1/2% '56-61	91 1/2	91 1/2	3 7 6	4 10 3									
82 1/2	78 1/2	Funding 3% '59-69	81 1/2	81 1/2	3 11 2	5 0 2	24/6	19/10	4 a	6 b	6 b Bradford Dyers £1		23/9	24/-	8 6 8
92 1/2	87 1/2	Funding 4% '60-90	89 1/2	90 1/2	5 1 9	6 18 2	23/7	19/10	7 b	3 a	3 a Brit. Celanese £1		22/3	22/6	8 17 9
81 1/2	76 1/2	Savings Bonds 3% '60-70	80 1/2	79 1/2	3 11 3	5 0 11	25/10	21/9	6 1/2	2 1/2	2 1/2 a Coats (J. & P.) £1		22/9	23/3	7 10 6
91 1/2	88 1/2	Exchequer 3% '62-63	91 1/2	90 1/2	3 2 11	4 9 5	44/-	35/9	6 b	4 a	4 a Courtaulds £1		39/6	39/6	5 1 3
86 1/2	83 1/2	Exchequer 2 1/2% '63-64	86 1/2	86 1/2	3 6 8	4 9 8	21/3	16/6	7 1/2	5 a	5 a Fine Spinners £1		17/-	16/9	14 18 6
81 1/2	76 1/2	Savings Bonds 2 1/2% '64-67	80 1/2	77 1/2	3 13 1	4 17 4	30/-	25/3	5 a	7 1/2	7 1/2 b Lancs. Cotton £1		26/-	25/6	9 16 4
79 1/2	73 1/2	Savings Bonds 3% '65-75	77 1/2	77 1/2	3 7 0	4 17 5	31/7	26/9	10 b	2 1/2	2 1/2 a Patons & Baldwins £1		28/-	28/-	8 18 7
96 1/2	91 1/2	Victory 4% '20-76	93 1/2	93 1/2	3 0 10	4 17 4									
83 1/2	78 1/2	Funding 3% '66-68	83 1/2	83 1/2	3 10 2	4 19 6	22/4	17/7	3 1/2	6 1/2	6 1/2 b Bristol Aeroplane 10/-		21/9	21/6	4 13 0
88 1/2	83 1/2	Conv. 3 1/2% 1969	87 1/2	87 1/2	3 5 11	4 18 11	9/-	6/10	8 1/2	4 a	4 a British Motor 5/-		7/3	7/3	4 12 5
83 1/2	78 1/2	Treas. 3 1/2% '77-80	82 1/2	80 1/2	3 2 11	4 16 9	44/3	32/4	2 1/2	5 b	5 b Ford Motor £1		35/9	33/9	4 8 11
84 1/2	78 1/2	Treas. 3 1/2% '79-81	81 1/2	81 1/2	3 2 4	4 17 0	40/4	32/1	5 a	12 1/2	12 1/2 b Hawker Siddeley £1		37/-	37/9	4 12 9
72 1/2	67 1/2	Redemption 3% '86-96	70 1/2	70 1/2	2 19 7	4 12 3	38/3	38/3	10 c	12 1/2	12 1/2 c Leyland Motors £1		47/6	47/6	5 5 3
81 1/2	76 1/2	Funding 3 1/2% 1999-2004	80 1/2	80 1/2	2 15 7	4 11 5	115/10	85/6	5 a	12 1/2	12 1/2 b Rolls-Royce £1		103/1	109/4	3 4 0
84 1/2	78 1/2	Consols 4% aft. Feb. '57	81 1/2	81 1/2	2 17 1	4 19 10									
77 1/2	70 1/2	War L'n 3 1/2% aft. Dec. '52	73 1/2	73 1/2	2 15 2	4 15 10	18/10	14/6	6 a	8 b	8 b Boots Pure Drug 5/-		17/-	16/6	4 4 10
76 1/2	70 1/2	Conv. 3 1/2% aft. April '61	73 1/2	73 1/2	2 15 1	4 16 1	38/6	29/-	20 b	7 1/2	7 1/2 a Debenhams 10/-		35/-	37/4	7 7 2
66 1/2	61 1/2	Treas. 3% aft. April '66	64 1/2	63 1/2	2 14 2	4 14 4	44/9	32/9	45 b	15 a	15 a Gt. Universal 'A' 5/-		39/6	42/3	7 2 9
56 1/2	52 1/2	Consols 2 1/2%	54 1/2	54 1/2	2 12 8	4 11 9	71/11	57/10	30 b	30 b	30 b Marks & Spenc. 'A' 5/-		71/-	68/6	3 9 4
56 1/2	51 1/2	Treas. 2 1/2% aft. April '75	54 1/2	54 1/2	2 12 9	4 12 0	25/6	19/1	25 a	20 b	20 b United Drapery 5/-		21/9	22/3	7 6 1
98 1/2	93 1/2	Br. Elec. 4 1/2% '67-69	94 1/2	95 1/2	3 1 9	5 2 3	64/10	56/-	20 a	36 1/2	36 1/2 b Woolworth 5/-		61/9	61/3	4 12 3
80 1/2	75 1/2	Br. Elec. 3% '68-73	78 1/2	78 1/2	3 9 0	4 18 10									
79 1/2	73 1/2	Br. Elec. 3% '74-77	77 1/2	77 1/2	3 5 6	4 15 10	160/-	99/-	15 a	10 b	10 b British Petroleum £1		143/9	142/6	3 13 3
95 1/2	88 1/2	Br. Elec. 4 1/2% '74-79	91 1/2	92 1/2	2 18 9	4 17 3	97/6	63/-	10 1/2	5 a	5 a Burmah £1		89/4	93/1	2 5 1
83 1/2	79 1/2	Br. Elec. 3 1/2% '76-79	81 1/2	81 1/2	3 3 1	4 17 0	68/1	45/8	6 a	14 b	14 b Royal Dutch 100 fl.		477	479	2 7 2
90 1/2	85 1/2	Br. Gas 4 1/2% '69-72	89 1/2	89 1/2	3 2 11	5 0 2	179/4	129/-	15 a	13 1/2	13 1/2 b Shell Reg. £1		170/7	175/-	3 14 6
87 1/2	82 1/2	Br. Gas 3 1/2% '69-71	85 1/2	85 1/2	3 5 5	4 18 9	43/3	31/10	12 1/2	15 a	15 a Trinidad Oil 5/-		42/-	41/9	3 15 0
73 1/2	68 1/2	Br. Gas 3% '90-95	71 1/2	71 1/2	2 19 2	4 11 5									
80 1/2	75 1/2	Br. Trans. 3% '68-73	78 1/2	78 1/2	3 9 0	4 18 5	27/-	22/7	2 1/2	...	...		31/6	33/6	4 15 6
90 1/2	85 1/2	Br. Trans. 4% '72-77	89 1/2	89 1/2	3 0 7	4 18 5	27/-	22/7	3 a	5 b	5 b P & O Def. £1		32/-	31/-	5 3 3
73 1/2	67 1/2	Br. Trans. 3% '78-88	73 1/2	72 1/2	3 2 0	4 14 5	35/9	29/-							

(e) To earliest date. (f) Flat yield. (g) To latest date. (h) Ex dividend.
 † Assumed average life approx. 11 years. ‡ Less tax at 8s 6d. in £.

Prices, 1955		Prices, Jan. 1 to May 9, 1956		TRUSTEE STOCKS AND FOREIGN BONDS		Price, May 2, 1956	Price, May 9, 1956	Yield, May 9, 1956
High	Low	High	Low					
94 1/2	79	80 1/2	77 1/2	Aust. 3 1/2% '65-69	80 1/2	80 1/2	5 7 0	113/6
101 1/2	87	87 1/2	80	Ceylon 4% '73-75	82 1/2	82 1/2	5 10 5	60/9
103 1/2	87 1/2	88 1/2	85	N. Zealand 4% '76-78	85 1/2	85 1/2	5 2 10	54/9
88 1/2	84 1/2	84 1/2	57 1/2	L.C.C. 3% aft. 1920	61 1/2	61 1/2	4 18 4	57/6
99 1/2	83	85 1/2	84	Liverpool 3% '54-64	85 1/2	85 1/2	5 7 1	40/6
84 1/2	65	68 1/2	63	M.W.T. 'B' 3% '34-2003	66 1/2	66 1/2	4 17 6	47/7
102 1/2	94 1/2	97 1/2	94	Agric. Mort. 5% '59-89	95 1/2	95 1/2	5 5 9	58 1/2
122 1/2	91	102 1/2	102 1/2	German 7% 1924	110	108	...	24/9
213	149	199 1/2	187	German 5% 1930	193 1/2	192	...	19/7
212	160	220	208	Japan 5% 1907	219 1/2	219 1/2	...	47/3
254	190	260 1/2	247 1/2	Japan 5 1/2% Conv. 1930	257 1/2	255 1/2	...	27/6

Prices, Jan. 1 to May 9, 1956		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, May 2, 1956	Price, May 9, 1956	Yield, May 9, 1956
High	Low							
50/-	41/9	5 a	7 b	BANKS & DISCOUNT				
56/10 1/2	52/-	6 a	6 b	Barclays £1	46/-	44/6	5 7 10	8 1/2
72/4 1/2	66/10 1/2	9 a	9 b	Lloyds 'A' £5, £1 pd.	55/6	54/6	5 10 1	6 1/2
63/3	63/3	9 a	9 b	Midland £1, fully pd.	71/-	71/-	5 1 5	7 1/2
70/9	70/9	8 a	8 b	N. Prov. 'B' £5, £1 pd.	67/-	66/6	5 8 3	8 1/2
43/6	30/-	3 1/2 a	3 1/2 b	Westminster 'B' £4, £1 pd.	74/-	73/-	5 9 7	9 1/2
46/-	31/1 1/2	5 a	5 b	Alexanders £1	34/6	36/6	4 2 2	10 1/2
50/-	40/6	6 1/2 a	6 1/2 b	Nat. Disc. 'B' £1	36/6	36/6	5 9 7	11 1/2
35/9	32/1 1/2	4 a	4 b	Union Disc. £1	48/6	48/-	5 4 2	12 1/2
41/9	34/1 1/2	7 1/2 a	7 1/2 b	Barc. (D.C.O.) £1	34/-	33/-	4 0 10	13 1/2
				Chart. Bk. of India £1	37/6	36/6	8 4 5	14 1/2
27 1/2	16 1/2	12 1/2 a	12 1/2 b	Leg. & Gen. £1	27	27 1/2	1 16 9	15 1/2
25 1/2	20	12 1/2 a	12 1/2 b	Pearl £1, fully pd.	23	22 1/2	5 5 6	16 1/2
48 1/2	40 1/2	117 1/2 c	125 c	Prudential 'A' £1	46	47 1/2	4 11 6	17 1/2
119/-	111/-	10 a	33 b	Bass £1	115/-	117/6	7 6 5	18 1/2
24/10 1/2	20/-	10 1/2 a	6 a	Distillers 6/8	23/9	23/3	4 14 7	19 1/2
45/10 1/2	38/6	8 a	17 b	Guinness 10/-	41/6	41/-	6 1 11	20 1/2
76/-	67/6	7 a	14 b	Whitbread 'A' Ord. £1	73/9	72/-	5 16 8	21 1/2

New York Closing Prices

May 2		May 9		May 2		May 9	
£	\$	£	\$	£	\$	£	\$
51 1/2	52 1/2	56 1/2	56 1/2	Inter. Paper	135 1/2	140	
34 1/2	33 1/2	38 1/2	36 1/2	Nat. Distill.	26 1/2	26 1/2	
43 1/2	43 1/2	16 1/2	16 1/2	Sears Roebuck	33 1/2	31 1/2	
27 1/2	27 1/2	67 1/2	65 1/2	Shell	82 1/2	85 1/2	
182 1/2	181 1/2	61 1/2	61 1/2	Std. Oil of N.J.	60 1/2	59 1/2	
10 1/2	11 1/2	44 1/2	44 1/2	U.S. Steel	60 1/2	60 1/2	
7 1/2	7 1/2	71 1/2	73 1/2	Westinghouse	58 1/2	56 1/2	
20 1/2	20 1/2	95 1/2	96 1/2	Woolworth	48 1/2	48 1/2	

* Ex dividend. † Tax free. Gross yield. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 32 1/2%. (e) To earliest date. (f) Flat yield. (g) On 16%. (h) On 8 1/2%. (i) On 15%. (j) To latest date. (m) On 10%. (n) On 18% tax free. (o) On 6 1/2%. (p) On 11 1/2%. (q) On 14%.

Statistics

The following list shows the most recent date on which each statistical page appeared.	
BRITISH	OVERSEAS
Prices and Wages.....	May 5th
Production and Consumption.....	This week
Manpower.....	April 21st
External Trade.....	April 28th
Financial Statistics.....	This week
Industrial Profits.....	April 14th
World Trade.....	April 14th
Western Europe : Production and Trade.....	May 5th
British Commonwealth.....	This week
Western Europe : Prices and Money Supply	April 21st
United States.....	April 28th

Financial Statistics

THE MONEY MARKET

THE discount market made a further increase in its bid for Treasury bills at the tender on Friday last, by 3d. to £99 15s. 3d. per cent. This brought its discount rate to around $4\frac{1}{8}$ per cent, compared with $5\frac{1}{2}$ per cent at the tender two weeks before and over $5\frac{1}{2}$ per cent on the day after the increase in Bank rate in mid-February.

£'000	Estimate, 1956-57	April 1, 1955 to May 7, 1955	April 1, 1956 to May 5, 1956	Week ended May 7, 1955	Week ended May 5, 1956
Ord. Revenue					
Income Tax.....	2085,500	101,373	112,347	17,376	18,036
Surtax.....	144,000	10,200	12,700	1,600	1,900
Death Duties.....	170,000	20,300	18,300	5,500	4,700
Stamps.....	58,900	7,400	5,600	1,600	1,500
Profits Tax, E.P.T.	216,750	14,800	14,200	2,000	3,800
Excess Profits Levy	4,000	5,200	1,000	700	200
Special Contribution and other Inland Revenue...}	1,000	...	60	...	60
Total Inland Rev..	2680,150	159,273	164,207	28,576	30,196
Customs.....	1204,000	113,551	116,435	24,361	26,530
Excise.....	953,350	78,205	72,355	38,320	42,165
Total Customs and Excise.....	2157,350	191,756	188,790	62,681	68,695
Motor Duties.....	92,000	7,749	8,587	2,228	2,371
PO (Net Receipts).	10,000	...	...	...	...
Broadcast Licences	28,000	1,500	1,700	...	...
Sundry Loans.....	30,000	2,096	2,107	2,042	1,979
Miscellaneous.....	200,000	8,269	7,653	1,111	138
Total.....	5197,500	370,842	373,044	96,638	103,379
Ord. Expenditure					
Debt Interest.....	670,000	80,156	86,029	19,969	22,122
Payments to N. Ire- land Exchequer.....	61,000	5,517	6,332	1,747	2,008
Other Cons. Fund.....	10,000	754	693	384	...
Supply Services.....	3979,685	299,395	304,001	33,680	44,500
Total.....	4720,685	385,822	397,064	55,761	72,929
Grants-in-Aid.....	37,000	2,304	2,620	680	1,270
"Above-line" Surplus or Deficit.....	...	17,484	26,330	40,307	29,480
"Below-line" Net Expendi- ture.....	...	36,859	669	6,145	2,339
Total Surplus or Deficit.....	...	54,343	27,499	34,082	27,241
Net Receipts from:					
Tax Reserve Certificates.....	18,886	29,719	214	14,856	...
Savings Certificates.....	5,300	—	4,600	700	1400
Defence Bonds.....	1,465	—	27,217	171	8860

The offer of bills at last week's tender was under-allotted, by £10 million to £240 million, equal to the allotment in the previous week. Total applications rose by £2.5 million to £397.9 million; and the upshot was that despite its higher bid, the market suffered a fall in its allotment, from 61 per cent to an average of 51½ per cent. The market's application for the 92-day bills offered on account of the August Bank holiday was allotted in full; that for the 91-day maturities secured 45 per cent. At yesterday's tender, the offer was restored to £250 million.

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £1,875 million from £1,825 million on March 21, 1956.

TREASURY BILLS

Date of Tender	Amount (£ million)			Three Months' Bills		
	Offered	Applied for	Allotted	Average Rate of Allotment		Allotted at Max. Rate*
1965				a.	d.	%
May 6	230.0	384.8	230.0	78	3.69	41
1966						
Feb. 3	250.0	395.4	250.0	82	6.14	44
" 10	260.0	389.6	260.0	82	8.71	52
" 17	250.0	368.7	260.0	105	5.88	49
" 24	220.0	404.4	220.0	104	4.31	36
Mar. 2	240.0	399.1	240.0	104	0.86	38
" 9	240.0	404.7	240.0	104	2.23	37
" 16	240.0	381.4	240.0	104	3.89	46
" 23	270.0	398.6	270.0	102	2.16	68
" 29	280.0	410.1	280.0	103	3.66	54
April 6	280.0	408.3	280.0	103	5.55	58
" 13	340.0	381.3	240.0	102	6.87	60
" 20	230.0	382.4	230.0	102	4.55	43
" 27	340.0	395.3	240.0	100	1.95	61
May 4	250.0	397.9	240.0	99	0.35	45

LONDON MONEY RATES

Bank rate (from	%	Discount rates	%
4½%, 18/2/56)	5½	Bank bills: 60 days	5½-6
Deposit rates (max)		3 months	5½-6
Banks	3½	4 months	5½-6
Discount houses	3½*	6 months	5½-6
Money Day-to-day	3½-4½	Fine trade bills:	
Short periods	4½	3 months	6-6½
Treas. bills 2 months	4½	4 months	6-6½
3 months	5	6 months	6-7

* Call money.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

FLOATING DEBT

Floating Debt					
(£ million)					
Date	Treasury Bill		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1956					
Mar. 7	3,260.0	1,769.1	258.5	...	5,287.6
1956					
Feb. 4	3,280.0	1,965.4	205.0	...	5,450.4
" 11	3,280.0	1,875.4	219.2	3.0	5,376.5
" 18	3,270.0	1,872.6	234.9	...	5,377.5
" 25	3,220.0	1,886.7	246.6	1.8	5,355.0
1956					
Jan. 3	3,210.0	1,908.9	243.0	...	5,361.9
" 10	3,210.0	1,694.3	254.9	...	5,059.2
" 17	3,210.0	1,624.2	254.4	...	5,088.6
" 24	3,330.0	1,561.8	315.2	...	5,107.0
" 31	3,220.0	1,568.0	294.6	...	5,082.6
1956					
Apr. 7	3,240.0	1,561.2	277.7	...	5,078.9
" 14	3,260.0	1,675.6	270.4	...	5,106.8
" 21	3,260.0	1,600.6	286.0	...	5,146.5
" 28	3,260.0	1,423.5	279.9	...	5,193.4
1956					
May 5	3,240.0	1,431.1	261.9	...	4,923.0

	Market Rates : Spot						
	May 9	May 3	May 4	May 5	May 7	May 8	May 9
United States \$	2-78-2-82	2-80-1/2-2-80 1/2	2-80 1/2-2-81	2-80 1/2-2-81	2-80 1/2-2-81	2-80 1/2-2-81	2-80 1/2-2-81
Canadian \$		2-79-2-79 1/2	2-79 1/2-2-79 1/2	2-79 1/2-2-79 1/2	2-79 1/2-2-79 1/2	2-78 1/2-2-78 1/2	2-78 1/2-2-80 1/2
French Fr.	972-65-987-35	985-985 1/2	985-985 1/2	985-985 1/2	985-985 1/2	985-985 1/2	985-985 1/2
Swiss Fr.	12-15 1/2-12-33 1/2	12-27-12-27 1/2	12-27 1/2-12-27 1/2	12-27 1/2-12-27 1/2	12-27 1/2-12-27 1/2	12-27 1/2-12-27 1/2	12-27 1/2-12-27 1/2
Belgian Fr.	138-95	139-70	139-74 1/2	139-74 1/2	139-70	139-70	139-70
	141-05	139-75	139-77 1/2	139-77 1/2	139-75	139-75	139-75
Dutch Gld.	10-56-10-72	10-67 1/2-10-67 1/2	10-67 1/2-10-68	10-67 1/2-10-67 1/2	10-68 1/2-10-68 1/2	10-67 1/2-10-67 1/2	10-67 1/2-10-67 1/2
W. Ger. D-Mk.	11-67 1/2-11-84 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	11-73 1/2-11-73 1/2	11-73 1/2-11-73 1/2	11-73 1/2-11-73 1/2
Portuguese Esc.	79-90-81-10	80-10-80-25	80-10-80-30	80-10-80-30	80-10-80-30	80-10-80-30	80-10-80-30
Italian Lire	17364-17622	1754-1755	1754-1755	1754-1755	1755-1755	1755-1755	1756-1757 1/2
Swedish Kr.	14-37-14-59 1/2	14-56 1/2-14-56 1/2	14-56 1/2-14-56 1/2	14-56 1/2-14-56 1/2	14-56 1/2-14-56 1/2	14-56 1/2-14-56 1/2	14-56 1/2-14-56 1/2
Danish Kr.	19-19-19-48 1/2	19-39-19-39 1/2	19-39-19-39 1/2	19-39-19-39 1/2	19-39-19-39 1/2	19-39-19-39 1/2	19-39-19-39 1/2
Norwegian Kr.	19-85-20-15	20-00-20-01 1/2	20-00-20-01 1/2	20-00-20-01 1/2	20-00-20-01 1/2	20-00-20-01 1/2	20-00-20-01 1/2
One Month Forward Rates							
United States \$	1 1/2-1 c. pm	1 1/2-1 c. pm	1 1/2-1 c. pm	1 1/2-1 c. pm	1 1/2-1 c. pm	1 1/2-1 c. pm	1 1/2-1 c. pm
Canadian \$	1 1/2-1 c. pm	1 1/2-1 c. pm	1 1/2-1 c. pm	1 1/2-1 c. pm	1 1/2-1 c. pm	1 1/2-1 c. pm	1 1/2-1 c. pm
French Fr.	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par
Swiss Fr.	3-2 1/2 c. pm	2 1/2-2 1/2 c. pm	2 1/2-2 1/2 c. pm	2 1/2-2 1/2 c. pm	2 1/2-2 1/2 c. pm	2 1/2-2 1/2 c. pm	2 1/2-2 1/2 c. pm
Belgian Fr.	1 1/2-1 c. pm	1 1/2-1 c. pm	1 1/2-1 c. pm	1 1/2-1 c. pm	1 1/2-1 c. pm	1 1/2-1 c. pm	1 1/2-1 c. pm
Dutch Gld.	2 1/2-2 c. pm	2 1/2-2 c. pm	2 1/2-2 c. pm	2 1/2-2 c. pm	2 1/2-2 c. pm	2 1/2-2 c. pm	2 1/2-2 c. pm
W. Ger. D-Mk.	12-1 1/2 pf. pm	12-1 1/2 pf. pm	12-1 1/2 pf. pm	12-1 1/2 pf. pm	12-1 1/2 pf. pm	12-1 1/2 pf. pm	12-1 1/2 pf. pm
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.	4 1/2-3 1/2 pm	4 1/2-3 1/2 pm	4 1/2-3 1/2 pm	4 1/2-3 1/2 pm	4 1/2-3 1/2 pm	4 1/2-3 1/2 pm	4 1/2-3 1/2 pm
Danish Kr.	5-20 pm	5-20 pm	5-20 pm	5-20 pm	5-20 pm	5-20 pm	5-20 pm
Norwegian Kr.	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis
Gold Price at Fixing							
Price (a. d. per fine oz.)	249/1 1/2	249/1 1/2	...	249/1	249/0 1/2	249/1 1/2	249/1 1/2



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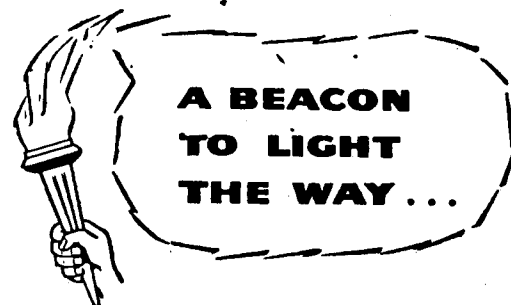
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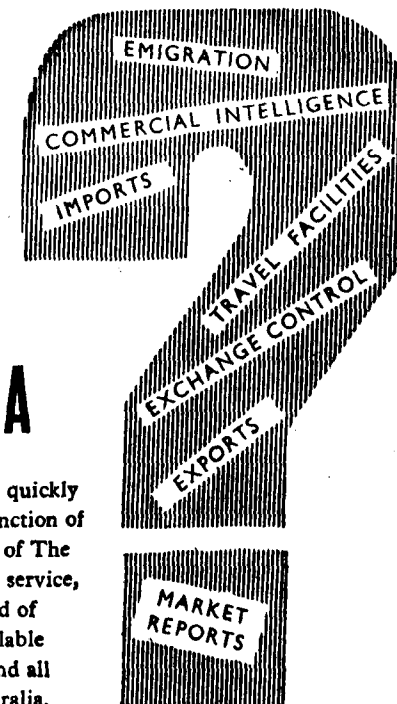
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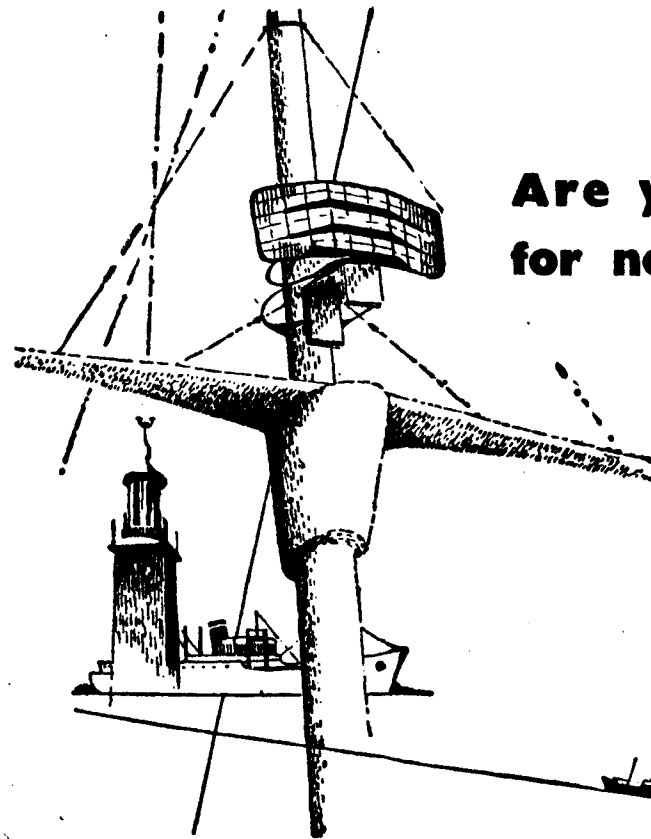
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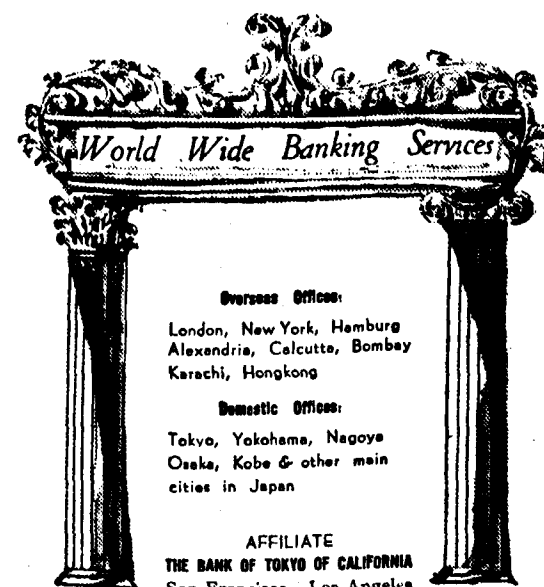
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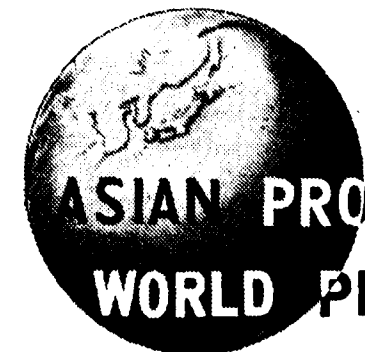
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ROYAL EXCHANGE ASSURANCE

236TH ANNUAL REPORT

GROUP PREMIUM INCOME EXCEEDS £30 MILLION

LORD KINDERSLEY REVIEWS A SATISFACTORY YEAR

The two hundred and thirty-sixth Annual General Court of the Royal Exchange Assurance will be held on May 30th at the office of the Corporation at the Royal Exchange, London, E.C.

The following is the statement of the Governor, The Right Honourable Lord Kindersley, which has been circulated with the report and accounts:

Before I review the report and accounts for 1955, I wish to refer to changes that have occurred in the Court of Directors.

THE LATE LORD BICESTER

My first duty is the sad one of recalling to the Proprietors the death, on February 17th last, of our Honorary Life Governor, Lord Bicester. On behalf of his colleagues in the Court of Directors and all those members of the staff of the Corporation and its associated companies who share the privilege of having known him, I wish to pay a tribute to the qualities which made him so greatly respected during his long and colourful business life and which ensure that he will always be remembered with deep affection.

Vivian Smith's influence upon the fortunes of this Corporation was profound. Indeed he was the principal architect of our growth to the eminent position which the group now occupies in the insurance world. For more than 60 years he was a member of the Court; the last 40 he spent as our Governor. He was in almost daily contact with the other Governors and the Executive who were stimulated by his shrewd advice, imaginative judgment and above all by his great charm of manner. He was the embodiment of the City of London at its best and his loss is one which we all feel very deeply.

I am conscious of the difficult task I shall have in following Lord Bicester as your Governor, to which office the Court of Directors did me the honour of electing me in November last. I am especially fortunate in being able to count upon the invaluable support of the Sub-Governor, the Honourable David Bowes-Lyon and of the Deputy Governor, Mr Leslie Farrow.

THE DIRECTORATE

In the early part of this year we accepted with regret the resignation of Lord Charles Cavendish-Bentinck who had been a Director for fifty years and I wish to record our appreciation of all he has done to further the Corporation's interests.

On a happier note I welcome the Right Honourable Viscount Ingleby to the Court. Lord Ingleby, who until recently was a Minister of the Crown, is well known for his record of public service, and he is also an old friend of the Corporation. He was a Local Director at our Leeds Branch from 1931 to 1939 and has now agreed to serve once more as a Local Director there in addition to his Head Office appointment.

Another recent addition to the Court is Captain the Right Honourable Lord Teyham, DSO, DSC, RN, who also has a fine record of public service.

There are two Local Directors whom I would like to mention especially.

Sir Robert Menzies has just retired from India, where, for 25 years a member of our board, he has been a most loyal friend of the Corporation and a tower of strength to our managers in that territory. We wish him many happy years of retirement in this country.

Sir Keith Smith, the Chairman of our Australian Board, died at the end of last year. He too was a very old friend of ours whose loss is deeply felt.

Sir Nicholas E. Waterhouse, KBE, who has been our auditor since 1911 has expressed the wish to relinquish his appointment in favour of his firm Price Waterhouse & Company. This change from a personal appointment to that of a firm is in conformity with modern practice and at the Annual General Court stockholders will be asked to consider a proposal to this effect. I mention the matter here because I do not want to allow the occasion to pass without referring to the great obligation we are all under to Sir Nicholas Waterhouse for his valuable guidance over so many years. The warm thanks of the Proprietors are certainly due to him for his outstanding services on their behalf.

1955 IN RETROSPECT

No doubt you will expect me to comment briefly upon the economic and other conditions which affected last year's trading.

Since the last war we have fortunately not experienced the series of booms and slumps which were the economic pattern of the inter-war years. Instead, the western world has benefited generally by steady industrial and commercial expansion although progress has been checked from time to time. But difficulties have emerged and even up to the present day, in spite of the progressive imposition of monetary and other disinflationary measures, the country has not yet been successful in eliminating the excessive domestic demands upon the economy with the consequential distortion of our balance of payments and the resultant strain on gold and dollar reserves. These obstinate problems which are shared to a greater or lesser degree by so many other countries have had an important bearing on our operations.

In common with other British insurers we are now devoting an increasing amount of time, thought, effort and money to what might justly be called a "social service" in the form of loss prevention in all spheres. This work carried on through our technical staff tends, in spite of the increased hazards of modern life, to control the cost of insurance with a corresponding benefit to the community. It also tends to act as a brake on our premium income but even so, and despite

the disturbing effect of economic restrictions in many territories in which we operate we were able, by expanding our business, to raise the combined fire, accident and marine premium income by over £1 million to a total of £27,176,000.

The Life Department also was able to write a record volume of new business and, if its premium income is taken into account, the group can be credited with an aggregate annual premium collection of over £30 million for the first time. I am sure that you will also find the individual records of our underwriting departments for 1955 no less satisfactory.

We have continued our policy of keeping in close touch with our wide-spread organization, and during the year the General Manager and other members of the executive paid a number of visits to overseas branches. These opportunities for discussion "on the spot" combined with periodical visits by our overseas managers to this country are of great value in keeping the management properly informed about conditions abroad and it is an aspect of our work which we cannot afford to neglect.

Regular contact is also maintained with our branches in this country and our annual branch managers' conference which was inaugurated as long ago as 1919 still proves to be of the greatest benefit to all concerned.

INVESTMENTS

Your Directors recognised that the accelerating inflation of 1955, not only at home but also throughout the rest of the Commonwealth and even in North America, would have to be checked by government imposed monetary measures.

Accordingly we shortened sail well before the full impact of rising interest rates affected quotations for marketable securities. This policy has been maintained despite the very high yields now offered by fixed interest bearing securities, and it has led to our holding substantial cash balances and a large portfolio of treasury bills and other short term bonds. I am quite confident that the temporary but moderate sacrifice of interest income inherent in this and other appropriate investment policies designed to protect capital values will be of inestimable benefit in the next few years.

Although, naturally, security for our policyholders must remain the paramount consideration in deciding our investment policy we certainly do not overlook the national interest in such matters. For example, despite our determined liquidity policy, we still were able to invest an additional £1,700,000 of Life Fund monies in the securities of industrial and commercial companies of the United Kingdom and the Commonwealth.

At the head of the following comments upon our individual departmental accounts I have included three years' comparative

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figures so as to provide a better measure of the results of our underwriting.

LIFE ACCOUNT

Year	Nett new Sums Assured	Gross Premiums	Interest Income	Fund at Year End
1955	9,559,132	2,730,200	1,321,753	25,550,794
1954	8,869,438	2,483,357	1,224,600	24,232,051
1953	7,414,284	2,343,102	1,143,310	23,346,680

Life Assurance today is looked upon as one of the most valuable and attractive forms of saving and the foregoing figures briefly summarise the steady but excellent development of this account.

Claims by death and maturity at £1,628,125 were some £8,000 greater than the year before, and the death claims are once again well within the expected mortality.

The rate of gross interest earned was £5 8s. 5d. per cent which compares with £5 4s. 9d. per cent the year before. A materially greater increase in interest income could have been achieved had we not followed the investment policy, to which I have already referred in some detail, designed to safeguard capital values to the detriment of immediate income.

The Annuity and Capital Redemption Funds have also made satisfactory progress. For the former of course, a greatly enlarged field of activity has been opened up by the recent budget proposals dealing with pension arrangements for the self-employed.

FIRE UNDERWRITING ACCOUNT

Year	Nett Premiums	Surplus	Ratio %
1955	9,597,570	998,408	10.4
1954	9,763,652	700,944	7.2
1953	9,541,464	1,142,952	12.0

The small reduction in premium income, as compared with 1954 is mainly attributable to two causes; reductions in premium rates and the devaluation of certain foreign currencies, but the overall underwriting surplus of £998,408 is again a most satisfactory outcome of operations at home as well as of our large overseas business.

In the United Kingdom the estimated fire wastage of £27,645,000 for 1955 exceeded by 5½ per cent the highest total previously recorded in a year, and this figure does not include consequential loss or the damage caused by the many special perils written to a steadily increasing extent in the fire department. The fact that under house-holders' comprehensive policies the claims for damage caused by storm, tempest, flood and the bursting of pipes again exceeded those caused by fire emphasises the necessity for this form of cover, and its value to the public.

The work of loss prevention to which I have already referred has become an integral part of the transaction of fire insurance. The services of our extensive survey departments, our participation in the field of fire research and in the formulation of regulations and recommendations for the safe operation of domestic and industrial equipment are all directed towards assisting the public to obtain immunity from havoc, interruption and loss caused by fire and related perils. It is a costly part of our establishment, but work in which we take a considerable pride.

Although, overseas, the year 1955 might be classified as uneventful in the sense that there was a comparative absence of spectacular disasters such as we have had in the past few years, it was not without its difficulties. Operating as we do in so many different countries, there are always interesting and sometimes complicated problems to be faced

arising out of some change in the political or economic scene in one territory or another; and although referred to here they are by no means confined to the fire department.

MARINE UNDERWRITING ACCOUNT

Year	Nett Premiums	Fund as at Dec. 31	Ratio to Nett Premiums %
1955	1,829,182	3,775,030	206.4
1954	1,766,950	3,771,715	213.5
1953	1,883,979	3,753,396	199.2

Upon the closing of the 1953 account it is gratifying to be able to report a transfer of £275,091 to the profit and loss account; this total compares with £289,548 released a year ago.

The 1954 account seems to be running off no less satisfactorily than that of the year that preceded it, while the 1955 account has also been developing reasonably well so far despite the highly competitive state of the market, both at home and abroad. At any rate the amount of this fund at the end of 1955, representing as it did over 200 per cent of premium income, should be adequate provision for the leaner times that marine underwriting may experience in the next few years.

Underwriters on the hull side of our business are still faced, as they have been for a number of years, with the ever increasing cost of ship repairs, and there is little doubt that, had it not been for the comparative absence of serious major casualties there would have been little if any balance remaining in hull underwriting accounts of recent years. Past experience tells us that this freedom from total losses is unlikely to continue indefinitely, and it may well be that we shall have to face a more normal casualty rate in the future. If this is so, then without doubt some corresponding increase in hull premiums will be needed by underwriters to meet the rising cost of ship repairs. Our problems are not made any easier by ship-owners postponing any but the most essential repair work; and we would welcome a greater sense of urgency in the handling of General Average adjustments.

Conditions in the cargo market have not changed to any great extent in the last twelve months, and although competition has been extremely keen, there seems at long last a realisation that, with many rates down well below prewar level, it is necessary for underwriters to call a halt to this trend unless they are prepared to face serious deficits in their accounts.

I am certainly glad to see that the market in London has in recent months given a lead towards the exclusion from the scope of marine covers of what are really normal trading risks.

GENERAL ACCIDENT UNDERWRITING ACCOUNT

Year	Nett Premiums	Surplus	Ratio %
1955	15,749,862	611,786	3.9
1954	14,485,940	867,910	6.0
1953	14,188,469	942,925	6.7

The substantial addition to aggregate premium income last year, at well over £1,250,000, is indicative of the virile progress in both the home and overseas fields; it reflects also an increasing appreciation by the public of the extent to which insurance serves their interests by providing protection against the financial consequences of accidental misfortune.

The necessity for such protection has been the impetus behind the great advance of

accident insurance in recent years. We are gratified to realise that our own progress is, in fact, a direct measure of the ever increasing service to the public which we have been privileged to provide—a service ranging from indemnifying a private individual against his legal liability for accidents affecting his fellow citizens, at a cost of a few shillings, to participating in the insurances, running into thousands and perhaps millions of pounds, relating to some great project which, by directing or harnessing natural resources, may change the economic life of an entire territory.

We are confident that in the future, as in the past, we shall be able to play our part in providing the protection which will be needed by continued social, scientific and industrial development.

A matter of major concern to us is the appalling toll of the roads arising from motor accidents. All over the world the constantly increasing wastage of both human and material assets from road accidents necessitates frequent revisions in and adjustment of the basis of premiums for motor insurance, and no real measure of stability in rates can be expected in the circumstances. It is high time that, from the welter of plans which have been drawn up and the vast sum of money which the Government of this country annually extracts from motorists by one means or another, we saw some practical benefit in the shape of improved roads.

The result of our operations during the year is that, after making full provision for all outstanding liabilities and creating the customary 40 per cent reserve in respect of the large increase in premium income, we are able to transfer the satisfactory sum of £611,786 to the profit and loss account.

TRUSTEE AND EXECUTOR DEPARTMENT

The business of this department is expanding. Earnings for the year have again exceeded the previous highest level, and, as has been stressed before, the influence of this department's work upon our affairs is not confined to the transfer it makes to the Profit and Loss Account. This was £17,400 last year compared with £7,751 and £2,252 for 1954 and 1953 respectively, but the profit for 1955 had the benefit of some non-recurring fees connected with certain long-standing trusteeships.

As Trustee for debenture and other stock issues the Corporation's services continue to be in demand, and we act in this capacity, or as Pension Fund Trustees for some of the leading industrial undertakings. There have been appointments also as Executor in many new wills, and as Trustee in Private Trusts of all descriptions.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

On the revenue side of these accounts we have first the income derived from the investment of our general funds. At £1,354,211 this figure is nearly £160,000 more than last year the increase being largely attributable to a full year's employment of the proceeds of our new capital issue made in the latter half of 1954, and this increase would have been greater but for two adverse factors. Firstly an investment policy designed to protect capital values, even to the detriment of income; and secondly an exceptionally large transfer made at the beginning of 1955 to satisfy the greater liability for future pensions arising from special salary increases granted to the staff during the last three years to meet the general rise in the cost of living.

The departmental transfers including the

initial instalment of the proprietors share in the 1952-54 valuation surplus totalled £2,003,895.

On the expenditure side you will see that the principal items are £1,606,484 absorbed by home and overseas taxation and £940,111 aggregate transfers in respect of our liability for Staff Pensions. Arrangements have now been made which I hope will enable any necessary transfers to the pension funds to be spread more evenly over the years in future.

After taking into account the balance from the previous year and one or two relatively minor adjustments there remains a disposable sum of £4,112,850.

DIVIDEND

Having regard to the buoyancy of our premium income and the satisfactory underwriting surplus derived therefrom, coupled with the very favourable margin that existed at the year end between the aggregate book value and market value of the invested funds, the Court of Directors decided to recommend a rise in the rate of final dividend to 20 per cent. Added to the 10 per cent interim distribution in November last the total dividend for the year will amount to 30 per cent as compared with 25 per cent for the previous year.

I do not wish the Proprietors to assume that they can look forward to annual additions to the dividend—of 5 per cent or any other figure. Whilst the total dividend for any one year will of necessity have to be judged in the light of then current conditions, I suggest that it might be wise to base expectations upon the probability that there may be a year or two of consolidation at the present rate.

STAFF

While general prosperity, coupled with a measure of good fortune, played its part in this successful 236th year of the Corporation's history, the major credit for the fine achievements summarised by the accounts belongs to the staff at all levels to whom the Proprietors owe so much and to whom I, on behalf of the Court, gladly express gratitude. Throughout the group, in this country and abroad, their work is highly appreciated. In particular I must thank our General Manager, Mr H. A. Walters, and the other members of the executive for the able manner in which they have discharged their responsibilities.

With the continued expansion of our business we have been paying special attention during the past few years to the recruitment of staff of the right calibre, and some while ago we inaugurated a series of special training courses. Although these were originally introduced primarily for the purpose of training our staff in this country, their scope has since been extended and they now embrace candidates for our overseas service.

The results to date have been most encouraging and they have been achieved mainly through the hard work and enthusiasm of several of our senior technical officials who, in their capacity as tutors, have devoted much time and ingenuity to this venture. I would like them to accept from me a special word of thanks for their efforts which represent a valuable contribution to our affairs.

May I also send greetings to our Local Directors and to our Agents and other friends throughout the world—in which category I would like to include the many friends we have among the brokers. We thank them for their support and we believe that we give them good service in return.

ATLAS ASSURANCE COMPANY LIMITED

PROGRESS IN ALL DEPARTMENTS

The Annual General Meeting of the Atlas Assurance Company Limited will be held on June 1st at the Company's Head Office, 92 Cheapside, London, E.C.

The following are extracts from the Statement to Shareholders by the Chairman, Mr Rudolph E. F. de Trafford, OBE, which has been circulated with the Report, Accounts and Balance Sheets for the year ended December 31, 1955:

While our results in some directions were below the standard of recent years—except in the case of Life business—they were, taken all round, by no means unsatisfactory. What is satisfactory is that we continue to hold our place in the world's markets—an accomplishment which is especially important in these highly competitive and testing times.

FIRE DEPARTMENT

Net Premium Income 1955	£6,237,496
Net Premium Income 1954	£5,931,206
Increase	£306,290

The increase in premium income was, as it happens, spread proportionately over the whole of our business as derived from the home field, the United States and the Commonwealth and general overseas fields. As to claims, our experience at home and in the USA was rather better than in 1954. Our claims experience in the Commonwealth and general overseas areas was rather less favourable than in the previous year but there was nothing in particular to account for this which calls for special comment.

The underwriting profit amounted to £384,686 (6.1 per cent), as compared with £434,950 (7.3 per cent) in 1954.

ACCIDENT DEPARTMENT

Net Premium Income 1955	£3,015,761
Net Premium Income 1954	£2,807,985
Increase	£207,776

As might be expected, it was Motor business which was largely responsible for the increase in volume and it was to this class of business also that a distinct worsening of our over-all claims experience was due. Much as I dislike saying so, I must confess that I entertain considerable doubts whether the rate increases which have been given effect to in various parts of the world in recent years—in the case of the United Kingdom, last year—are likely to prove to be sufficient.

The underwriting profit emerging from our activities, namely £70,343 (2.3 per cent) was much lower than that in 1954, viz. £250,179 (8.9 per cent).

MARINE DEPARTMENT

Net Premium Income 1955	£776,478
Net Premium Income 1954	£735,762
Increase	£40,716

The main source of the somewhat larger volume of premium income was our overseas business.

During the year major casualties continued to be light both in character and in number and, possibly for this reason, the deteriora-

tion in cargo rates still unfortunately persists. A welcome event is the recent introduction—reintroduction might be a better word—of a limitation on the period of cover after the discharge of cargo. It is hoped that this measure, which many will describe as overdue rather than precipitate, will be given the support that it clearly warrants by all who concern themselves with marine insurance business: possibly also it may indirectly have the effect of relieving the congestion of cargo which is experienced nowadays at so many ports. This should be beneficial in more directions than one.

The sum of £150,000 has been transferred to Profit and Loss Account and, after this transfer, the Marine Fund at the close of the year was £1,341,840.

LIFE DEPARTMENT

1955 was another record year for the Life Department. The total premium income exceeded three million pounds for the first time.

New business, both Assurance and Deferred Annuity, showed an increase over the corresponding totals for the previous year. Net new sums assured amounted to £7,363,273 and new Deferred Annuities secured £567,599 per annum.

The expense ratio rose by 13s. 6d. to £11 10s. 8d. per cent. This was due partly to increasing costs and partly to the large volume of new business transacted.

The Life Assurance and Annuity Fund amounted to £29,034,808 at the end of the year, an increase in the year of over two million pounds.

The gross rate of interest amounted to £5 6s. 8d. per cent as against £5 per cent in 1954; the net rate was £4 8s. 5d. per cent as against £4 3s. per cent.

The actuarial valuation at December 31st last revealed a surplus of £1,068,073, including £524,928 brought forward from the previous year. A reversionary bonus of 45s. per cent per annum calculated on sums assured and existing bonuses has been declared in respect of the three years 1953 to 1955. £200,000 was applied to strengthen reserves and the balance of £104,901 has been carried forward.

The increase of 10s. per cent per annum in our rate of Bonus makes "Atlas" with-profits policies extremely attractive—especially the larger policies for which the rates of premium have recently been reduced. Our non-profit premiums are highly competitive and here also we have reduced our rates for the larger policies. Our terms for staff pension schemes are also attractive. We welcome the Chancellor's recent proposals to extend, to the self-employed and to others not provided for under staff pension schemes, tax relief in respect of provision for retirement. This long-overdue concession will undoubtedly result in a considerable addition to savings and thus more than compensate for the comparatively modest loss of tax to the Revenue.

APPROPRIATION ACCOUNT

After providing for the dividend at the rate of 3s. 6d. per share, 1s. 6d. per share of which was paid in October last, the carry-forward amounts to £1,333,485.

CANADIAN PACIFIC RAILWAY

ENCOURAGING IMPROVEMENT IN TRAFFIC AND FINANCIAL RESULTS

GREATER OPERATING EFFICIENCY

PROGRAMME OF CAPITAL EXPENDITURE

MR N. R. CRUMP ON THE PROSPECTS

The annual general meeting of the Canadian Pacific Railway Company was held on May 2nd in Montreal, Mr W. A. Mather, the chairman, presiding.

The President, Mr N. R. Crump, addressing the meeting, said: The Report of your Directors for 1955 which was distributed to shareholders a month ago contains a comprehensive survey of the operations of your Company for the year's results of 1955. There was an encouraging improvement in both volume of traffic and financial results of railway operations. Especially noteworthy were improvements achieved in service and operating efficiency and effective steps which were taken to meet increased competition in transportation field.

You may, I believe, feel justly proud of the part played by Canadian Pacific in serving the expansion of the nation's business in 1955. Results of ocean steamship operations were considerably better and other income benefited also from an increase in dividend income. Receipts from petroleum rents royalties and reservation fees which have developed into stable source of income were moderately higher.

PUBLICATION OF SEMI-ANNUAL FINANCIAL RESULTS

It has been felt by your Directors that shareholders might wish to have published for their information the semi-annual financial results of your Company; accordingly arrangements are being made for release to the Press of a statement of income account as soon after mid-year as figures become available.

PROSPECTS FOR 1956

The pace of economic expansion has continued strong into 1956, and railway revenue for the first quarter has shown an increase of 12 per cent over that of the previous year. Your traffic officers feel that while gains of this order are unlikely to continue throughout the year neither does there appear at this time to be reason to look for any pronounced decreases. Increased freight rates on the movement of international and related traffic are anticipated to result in increased revenues during the year of some \$5 million.

WAGE NEGOTIATIONS

A Conciliation Board appointed by Minister of Labour to mediate dispute between your Company and its non-operating employees arising from demands for an 18 per cent wage increase and other benefits made its report under date of April 9th.

The Majority Report filed by the Chairman and the Nominee of Unions recommended a two-year contract effective January 1, 1956, providing for a series of wage increases aggregating 11 per cent, a contributory health and welfare plan and pay for two additional statutory holidays to hourly

rated employees. The majority of the Board identified the Crows Nest Pass rates on grain and flour as a major factor adversely affecting railway revenues. They took the position, however, that such circumstances should not be allowed to place the employees of the railways at any disadvantage by comparison with workers in durable goods industries, but they did not recommend immediate parity with wage level of such industries.

The Nominee of the Railways in a Minority Report rejected durable goods standard for railway wage determination because of basic differences between railways and durable goods industries. It was his recommendation that railway wages should meet a test of adequacy and any increase above such level of adequacy should be governed by railways' ability to pay. Adequacy of railway wages should be tested in his view by the average earnings of all paid workers in the community. He found that railway wages by such a test were adequate and railways having no financial ability to increase wages, he could not recommend any wage change for the non-operating employees in year 1956.

The Unions have accepted the Majority Report of the Board as a basis for settlement, including the recommendation for a two-year contract. This fact creates a situation in which your Company is prepared to do everything possible consistent with its responsibilities to the public to reach an equitable settlement of this dispute. Accordingly, Department of Labour has been informed that in conjunction with the other railways concerned your Company will be glad to meet the Unions as soon as possible for negotiations looking to the development of satisfactory basis of settlement.

75TH ANNIVERSARY

On February 16th of this year your Company marked the 75th anniversary of its incorporation. It is recorded that in 1881 there were sceptics who were doubtful whether either the ambitious new railway enterprise or the young nation it was to bind together could long survive. Today Canadian Pacific by land, sea and air has become a world-wide transportation system and has a proud record of three-quarters of a century of outstanding service to Canada. That record could only have been achieved by sound planning for the future and prudence in the handling of its affairs. Your Company may justly claim full partnership in the building and development of this great Country.

PLANNING FOR THE FUTURE

In his remarks at the Annual Meeting last year Mr Mather reviewed improvements and development which had been brought about over the postwar years and noted that not since the original construction had there been a period of more impressive progress. These

are times of rapid change and the need for careful appraisal of the future remains continuous and compelling.

I wish today to venture a look into years ahead. The past fifteen years have seen a doubling in the volume of the gross national product of Canada and widespread changes in pattern and character of transportation. There are few of us indeed who are not confident that further substantial growth is in store for the future. Your Company is vitally concerned in the course of developments as they affect transportation service which will be required. There will be changes in the distribution of production between the manufacturing and the extractive industries, changes in the geographical distribution of industry and greater competition will have to be faced.

Accordingly we have retained the services of a group of eminent economists to collaborate with Officers of your Company in a study of the nature and extent of probable Canadian economic growth over the next fifteen years. In particular the purpose of this study is to assess the effect of this growth upon volume and nature of traffic to be carried by Canadian Pacific Railway and to project on the basis of careful statistical and cost analysis, competitive factors relevant to the changing pattern of the transportation sector of the economy.

While this study is not yet complete the research group, which includes members of the faculties of Harvard and McGill Universities, have suggested a population figure for Canada by 1970 of some 21 million and a gross national product of the order of \$45 billion. These represent increases of one-third in population and of two-thirds in gross national product. They are substantial gains. It is clearly evident that if expansion of this order is to take place, great demands will be made on the transportation facilities of the Country. Careful plans are being laid to gear Canadian Pacific organisation and facilities to meet challenges and opportunities which it is anticipated will be encountered over that period.

RAILWAY PROPERTY INVESTMENT

Your Company has a vast property representing an investment of \$14 billion which must be maintained and kept fully modernised. The railway investment amounts to \$1,563 million, \$814 million for road and \$749 million for rolling stock, while the investment in steamships, hotels, communications and other properties totals \$199 million.

Included in your railway property are 23,300 miles of track, the equivalent of eight sets of tracks between Montreal and Vancouver. Of this, 8,600 miles are in first main and secondary main lines, 9,300 miles are in branch lines and 5,400 miles are in yards, sidings and industrial tracks. There is, of course, not only the track itself consisting of the grading of the line, the ballast, ties, rails, switches and other track material, but also fifteen miles of tunnels, hundreds of

bridges, thousands of stations, freight sheds, office buildings and complex signal systems. Railway rolling stock comprises almost 2,000 locomotive units, 80,000 freight train cars, 3,000 passenger train cars and over 6,000 units of work equipment, and there are shops and enginehouses located across the system to maintain them in efficient operating condition.

COST OF MAINTENANCE

All of this property is subject to attrition and provision must be made through depreciation charges for amortisation of its cost, but today's dollars are of far less value than those of the period in which most of the existing property was built and a wide gap exists between the amounts provided for replacement through depreciation and actual replacement costs. To illustrate, much of your road property was constructed more than 40 years ago, when labour and material prices were less than one-half of what they are today. It is therefore evident that the renewal of the existing plant alone will require substantially larger amounts than are provided through charges for depreciation based on original cost.

Maintaining the plant at present capacity, however, will be only part of the story. Provision will also be required for keeping pace with the increased demand for transportation service which will result from the expansion in the economy. For example, provision will have to be made for the improvement of road bed and track structure to take care of heavier loadings and to enable operations to be conducted at greater speeds. To this end the steady process of upgrading ballast and replacing lighter with heavier rail which has been under way for a number of years will continue. New roadway machines will be needed for the further mechanisation of track maintenance work. Branch lines will have to be built into new areas and new facilities will be required to take advantage of the opportunities offered by development of the St Lawrence Seaway. Additional sidings will have to be lengthened to accommodate the longer trains made possible by the general use of Diesel power.

The safety and efficiency of operations will necessitate the continued extension of automatic block signals and the installation of centralised traffic control systems. Construction of additional maintenance and heavy repair facilities will be required as Dieselisation proceeds. Provision must be made for expansion of classification yards and freight sheds and increasing the capacity of unloading tracks for handling increased traffic volume. It is almost certain too that present terminal facilities for coastal steamships will have to be supplemented. The estimated cost of all these improvements, as can now be foreseen, covering both renewal of existing railway plant and the provision for expansion will be of the order of \$600 million.

VIRTUALLY COMPLETE DIESELISATION

Over the next fifteen years equipment requirements will be similarly heavy. Virtually complete Dieselisation is planned by 1961. The carrying out of this programme and the subsequent additions required for replacement and expansion over the remainder of the fifteen-year period will require the purchase of about 680 Diesel units at a total cost of some \$125 million.

The total number of freight cars will not increase in proportion to traffic volume owing to improvements in types and increases in unit capacity of cars, but it is estimated that 50,000 units of freight equipment will have to be purchased and that 40,000 will be

retired. The estimated cost of the new units is about \$480 million.

PASSENGER CARS

The outlook concerning passenger cars is not quite so clear. Important technological changes leave the door open to widespread improvements in this field particularly with regard to development of light-weight trains. The rail Diesel car, however, is already established as an efficient and flexible instrument in passenger operations and full use will be made of its potentialities. It is probable that about 125 additional units of this type will be purchased.

Stated at a minimum figure the cost of new passenger train equipment will amount to \$45 million, and finally to round out the equipment programme the necessary replacements for work equipment now in service and the purchase of the additional work units that will be required will involve the expenditure of about \$15 million.

HOTELS

Your hotel properties comprising eight City Hotels with a total of about 3,500 rooms and seven Resort Hotels with about 1,500 rooms constitute a valuable adjunct to your rail and steamships services. Announcement has already been made of construction of an extension to the Royal York Hotel to commence later this year, to provide 400 additional guest rooms and several new banquet rooms. The decision to increase the size of the Royal York was made in view of opportunities for the development of potential convention business and the rapid growth of the Toronto area. The estimated cost of this addition is \$10 million.

Study is being given also to the possibility of extensions to certain other hotels where accommodation is already overtaxed or where the prospects for increased patronage are especially promising. These, together with provisions which are being made to add to the comfort of guests and for the improvement of service and operating efficiency, are expected to involve capital expenditures of a further \$18 million over the next fifteen years.

OCEAN STEAMSHIPS

Your Ocean Fleet consists of seven cargo vessels and three passenger cargo liners representing an investment of \$52 million. Capital requirements of the Fleet continue to be the subject of careful examination. With the entry into service of the *Empress of England* in 1957 and the possible disposal at that time of the *Empress of France* there will remain to be replaced only the *Empress of Scotland*, which is at present in North Atlantic and cruise service, and which will reach retirement age in about five years. Active consideration is being given to construction for this purpose of a third new ship which would probably be of greater tonnage than either the *Britain* or the *England*, with design and appointments particularly suited to cruise requirements as well as North Atlantic service. At present prices, such a vessel would cost about \$22 million.

As for your cargo vessels, all of those in service will reach the end of their normal lives during the next fifteen years. However, completion of the St. Lawrence Seaway may greatly affect their earning capacity, designed as they are for deep sea port-to-port operations, and consideration is being given to the desirability of replacing them within a few years with ships of modern design fully adaptable to both ocean and great lakes operations. It is estimated that

COMMUNICATIONS

Your communications properties with a \$42 million investment in pole line wire mileage, message transmitting and receiving equipment and microwave facilities provide a service of increasing importance in the highly complex and fast-paced modern business world.

In the communications field it is imperative to be alert to the opportunities for expanded, improved and more economical operations if a sound competitive position is to be maintained. The development of new equipment and techniques is rapid and continuous. The progressive installation of microwave relay systems capable of providing greatly increased numbers of circuits will be necessary to meet competition and demands for services such as telephoto and television in both its industrial and entertainment applications. The more efficient and economic handling of public message traffic will call for substantial expenditures for automatic equipment and for the provision of facilities for the passing of facsimile messages between Company and Customer to reduce the high cost of pick-up and delivery of telegrams.

The lively interest of business concerns in the possibilities of enhanced management efficiency and economies, through application of integrated data processing techniques will require communications associated with high speed computing machines. Your Company is the leader in Canada in embarking on a major plan of this kind for its own use. To provide for the full range of needed communications services in the next fifteen years capital expenditures of about \$60 million will have to be undertaken.

AIR LINES

Your Air Lines, the newest link in the "World's Greatest Travel System," with a domestic and international network comprising 37,000 route miles, hope to develop substantial new routes and extensions in the future.

There was in operation at the end of 1955 a fleet of 37 aircraft which, along with ground facilities, were carried in Canadian Pacific Air Lines Investment Account of \$19 million. The first two of eight DC-6B aircraft which were on order at the end of 1955 have been received and delivery of an order of five Bristol Britannia Turboprop Aircraft is to begin next year.

The pace of developments in the aviation field is so rapid as to introduce a large element of speculation into any long-range planning, but it is of the utmost importance that your Company should continue to benefit from the latest improvements in aeronautical power and design. The purchase of new aircraft and spare parts and the construction of additional hangar and administration office space will, it is thought, require the expenditure of some \$60 million over the fifteen-year period.

SUMMARY OF REQUIREMENTS

Now I have attempted to indicate for you in some detail the nature and amounts of capital expenditures which, after most careful and searching appraisal, it is felt will be necessary or advantageous to undertake over the next fifteen years.

Each item, rail and non-rail, will, of course, have to stand on its merits and will be subjected to the close scrutiny applied

to all capital appropriations. Each will be judged in the light of whether it is for a necessary replacement, or, if for an addition, whether that addition is essential to the ability of your Company to keep pace with economic growth or to meet competition and whether it gives promise of yielding a reasonable return.

CONCLUSION

As the prospects are viewed at the present time the total of such capital requirements will amount to \$1½ billion, equal to an average of \$100 million per year. Of these requirements it is unlikely that much more than \$60 million per year will be available from depreciation accruals and salvage proceeds. This will leave a balance of \$40 million which will have to be financed by other means. A part of this may come from retained earnings, but it will be necessary to obtain new money for the remainder. It would be unwise to raise the new capital required entirely through the issue of fixed-interest bearing securities and therefore at some stage equity financing will undoubtedly become necessary.

It is clearly evident that your Company can meet the financial requirements of a programme of this magnitude only if adequate income can be secured. An essential requirement will be that railway rates be kept consistent with costs and that there be an improvement in railway net earnings. Every effort will have to be put forth to obtain a maximum share of available traffic and to derive the fullest possible economies from Dieselisation and other technical improvements. These are the continuing responsibilities of your Management. I am confident we will succeed.

The report and accounts were adopted.

EAGLE STAR INSURANCE

Annual General Meeting will be held on May 30, 1956. Statement by Chairman, Sir Brian Mountain, Bt, for 1955 indicates:

Total resources now exceed £100 million.

Life new business record at £59,700,000. Premiums and Annuity Considerations over £12 million. Provisions of the Finance Bill giving tax reliefs which include premiums paid for pensions by self-employed persons are expected to result in an increase of business for which the Company is designing attractive policies. The Investment position continues to be satisfactory.

Fire Department premiums at £3,797,860 show an increase on the year. An increased profit of £368,147 results.

Accident Department premiums at £7,844,588 show increase with profits at £117,043. Motor claims continue to increase. Engineering Department shows satisfactory results.

The Pluvius Department premium income increased with satisfactory results. Improved facilities will this summer be available for holiday-makers on the Continent or in this country.

Marine premiums increased to £1,691,464; transfer to Profit and Loss £75,000; Fund at end of year is higher at 122.9 per cent of premiums.

In the Profit and Loss Account investment income increased to £743,998 and £25,000 transferred from Sinking Fund and Capital Redemption Account. Transfers from Trading departments were £560,190. Higher Ordinary dividend is 6s. per share for 1955, against 5s. 6d. for 1954.

Balance carried forward £1,437,441, an increase of £284,904.

THE UNITED GLASS BOTTLE MANUFACTURERS

UNPRECEDENTED DEMAND

The forty-third annual general meeting of The United Glass Bottle Manufacturers, Limited, will be held on May 31st, in London.

The following are extracts from the circulated statement by the chairman, Mr L. A. Elgood, OBE, MC, DL, JP, CA:

The Directors' Report details the further issues of our Ordinary Stock made during 1955; these were related to our purchase of the minority shareholdings in Kork-N-Seal Limited and of the entire issued share capital of The Alloa Glass Work Company Limited, purchases which have added considerably to the strength of the Group structure.

The Holding Company Profit for the year amounted to £469,853, against £286,462 in 1954. This increased profit permits of a larger appropriation to reserve and the Directors have allocated £251,364 for transfer to Revenue General Reserve compared with £163,766 in 1954.

As to the Ordinary dividend for the year, an interim of 3½ per cent, less Income Tax, was paid and after most careful consideration of all the relevant factors, your Directors now feel justified in recommending a final distribution on the £3,200,000 Ordinary Stock in issue at the rate of 7½ per cent.

ACQUISITION OF ALLOA COMPANY

In regard to the acquisition of the Alloa Company, I would recall my previous references to the growing demand for glass containers in Scotland, which we had been unable to meet fully by expanding production in our Scottish works at Shettleston, Portobello and Kinghorn. In the middle of 1955 we were approached by the Board of the Alloa Company, who inquired whether we were interested in acquiring that Company and of course we were.

Great benefit will be derived by the Group from our acquisition, as a going concern, of these additional modern glass container manufacturing facilities, well staffed, provided with an adequate labour force, and located in central Scotland at a point where our need for further manufacturing capacity was most pressing. The contribution which the Alloa Company can make to our Group activities by facilitating rationalisation of production and distribution has yet to be fully achieved but already savings in cost of delivery are being made as a result of some manufacture taking place closer to the point of delivery.

THE YEAR 1955

To look back on the year 1955 it can be said that, not only for our Company but for the whole Glass Container Industry, was it a year of unprecedented demand met by an all-time record production. Undoubtedly an outstanding summer made its contribution to the high level of demand, the signs being from the heavy calls on our production that the Soft Drinks Industry and the Brewing Industry in particular benefited. It is my belief that our trading in 1955 was marred by only one event, the need from October 10th to raise once again bottle prices. Nevertheless the selling price of our glass container products is now only double that ruling prior to September, 1939, and this I feel is a proud record when considered in relation to other prices and, above all, the diminishing value of our currency.

On this overall question of the price of our products, in previous years I have tried to give Stockholders an insight into the many complexities of our business. I think it is a matter for reflection that our principal finished product, the glass bottle, yields on average no more than £36 per ton delivered throughout the United Kingdom, made up in the following way:—wages, salaries and pensions—35 per cent; raw materials—15 per cent; all fuels—15 per cent; transport—10 per cent; leaving only 25 per cent to cover overheads, taxation, reserves and dividends, so that it can well be imagined the margin on which we operate. However, to make this point abundantly clear, particularly from the point of view of our Customers and in relation to the successful financial results I have been able to report for 1955, these profits were derived from the manufacture and delivery of no less than 1,750 million individual items.

IMPORTANCE OF EXPORTS

A feature of our Group operations has always been the emphasis and importance we place on our direct export trade. As with our home trade, export turnover by volume constituted an all-time record, sales including an encouraging proportion of dollar-earning trade.

In the glass field and to our container production must be added a flourishing off-spring in the form of "Sherdley" and "Ravenhead" domestic glassware. In October, 1955, a surprise Budget produced an even greater surprise, inasmuch as our domestic glassware business once again became subject to Purchase Tax, this time at a higher level than the wartime measure which was completely removed in 1946. Even now it is too early to forecast the effect on our business of this added burden to the Hotel Industry, the Licensed Victualler Trade and the housewife, all of whom support so substantially this activity.

ENTRY FOR FOREIGN GLASS

Almost parallel with the reimposition of Purchase Tax, the domestic glass industry received notification that at this year's GATT Conference there was the possibility of tariff concessions being made in response to an appeal from a member country or countries to ease the entry of foreign glass into the United Kingdom. This is a point on which we feel keenly, particularly as some member countries of GATT continue to export with the aid of quite substantial Government subsidies, a measure of export promotion which neither we, nor, I imagine, other affected industries can reasonably be expected to meet.

Of the current year I can only say that, even in the face of further considerable cost advances, the Group have got off to a good start and order books are healthy in spite of the uncertainties that abound. We have, in fact, a confidence in the future which, despite the uncertainties, prompted the gesture in March of this year of freezing prices of glass containers and closures for a period of at least six months. True, we were not pioneers, but in this step we did follow the lead of several industries, hoping that stability over a period might in due course check the ever increasing tempo of inflation that has beset our country since 1945.

JOHN LEWIS AND COMPANY LIMITED

EXPANDING TURNOVER

PREFERENCE DIVIDENDS AND PROFIT SHARING

INEQUITABLE TAXATION

RETIREMENT OF THE FOUNDER OF THE JOHN LEWIS PARTNERSHIP

The Twenty-eighth Annual General Meeting of John Lewis and Company Limited will be held at the Cowdray Hall, Henrietta Place, Cavendish Square, W., at 10.30 a.m., on May 29, 1956.

The report and accounts of the company for the year ended January 28, 1956, cover the Partnership's wholesale, export and manufacturing subsidiaries and the following department stores and shops:

LONDON SUBURBS AND HOME COUNTIES

DRAPERY AND FURNISHING

John Lewis, Oxford Street, London.
Peter Jones, Sloane Square, London.
John Barnes, Finchley Road, London.
John Pound, Regent Street, London.
Jones Brothers, Holloway, London.
Bon Marche, Brixton, London.
Pratts, Streatham, London.
Caleys, Windsor, Berks.
Heelas, Reading, Berks.
Trewin Brothers, Watford, Herts.

RETAIL FOOD TRADE

Waitrose, London and the Home Counties.
Schofield and Martin, Essex.

SOUTH ENGLAND

Tyrrell and Green, Southampton.
Knight & Lee, Southsea.

MIDLAND AND NORTH ENGLAND, AND SCOTLAND

Bainbridge, Newcastle.
George Henry Lee, Liverpool and Chester.
Cole Brothers, Sheffield.
The Silk Shop, Edinburgh and Newcastle.
Jessop & Son, Nottingham.
Robert Sayle, Cambridge and Peterborough.

Debentures have been issued by two Partnership companies, John Lewis Properties Limited, and Suburban and Provincial Stores Limited; Preference stocks of the same two companies of John Lewis Partnership Limited, and of Bainbridge and Company Limited are also publicly held. Otherwise all the capital of the Partnership companies is held internally and all its profits, after debenture interest and preference dividends, are used for the benefit of the 12,000 worker-members of the Partnership.

TURNOVER, PREFERENCE DIVIDEND COVER AND PROFIT SHARING

The report gives the following figures of total turnover:

1953-54	£22,756,000
1954-55	£24,384,000
1955-56	£26,413,000

and draws attention to the amount of profit available for preference dividends and profit sharing in these paragraphs.

The form of the Consolidated Profit and Loss Account is that required by Company Law, but because of the special character of the John Lewis Partnership it does not show clearly the true nature of the Partnership's results and of its dealings with the profit. The whole of the profits of John Lewis and Company Limited and its subsidiary companies, after payment of the dividends shown in the Consolidated Profit and Loss Account, is used for the benefit of all of the Partners, that is to say, all of the permanent staff of the Partnership. In the consolidated account the amounts used in that way are charged before arriving at the balance of profit, but they are in fact so used only if there is sufficient profit. Under our Pensions Rules, approved by the Inland Revenue, no contribution is payable to the Pensions Fund in any year in which the dividends shown in the accounts have not been earned. General Bonus likewise comes out of the profits after these dividends have been met.

The following summary of last year's results compared with those of preceding years shows the real facts of the amount of profit and of its disposal:

	1955/56	1954/55	Average of the 8 years 1946/47 to 1953/54
The total net profit after payment of debenture interest was	1,334,000	1,274,000	830,000
(It included profit outside the ordinary course of our business to the extent of)	(10,000)	(5,000)	(34,000)
Taxation	463,000	481,000	346,000
Dividends	226,000	213,000	205,000
Balance for profit sharing and reserves	646,000	580,000	279,000
This balance was divided between:—			
Pension fund contributions	180,000	161,000	166,000
General bonus to the members of the partnership	318,000	284,000	56,000
Additions to reserve	148,000	135,000	57,000

These figures show the ample cover that the available profits provide for the dividends upon outside shareholdings, a cover reinforced by the revenue reserves of £1,167,137 in the Consolidated Balance Sheet.

In the ten years since the war ended £617,558 has been added to taxed Reserves, £1,668,297 to the Pension Fund, and £1,049,437 has been distributed in General Bonus to the Partnership's worker-members.

INEQUITABLE INCIDENCE OF THE DISTRIBUTED PROFITS TAX

The net charge for taxation for the year was £462,864. The report comments upon this charge as follows: The November increase of 5 per cent in the distributed profits tax has been followed by a further increase of 2 per cent in the April Budget. As we have commented in previous reports, because of the Partnership's special character this tax bears upon it heavily and unfairly. At its present level of 27 per cent, it amounts to about £105,500 upon the total, over £391,000, of the Preference and Preferred Ordinary dividends paid by the companies forming the Partnership. Since however this £105,500 is not allowed as a deduction from the profits

upon which income tax and ordinary profits tax are paid, the amount of trading profits that has to be set aside to meet it is nearly £194,000. (In the year 1955-56 the amount was lower—about £152,000—because, until the end of October, the rate was 20 per cent).

This charge of £152,000, that arose merely as the result of paying the fixed dividends on capital almost all of which was issued many years ago, directly reduced that balance of our profits which goes to profit-sharing. But for this charge the General Bonus of 8 per cent to all worker-members of the Partnership could have been nearly 12 per cent. To every one of them therefore it represents a loss equivalent to about two weeks' pay.

We have drawn attention in the proper quarters to the inequity of this position. It could be removed by legislation providing for abatement of the tax in the proportion in which any company shares its remaining

profits with its employees or uses them in other ways that are of benefit to the general community, and we shall press strongly for that.

RETIREMENT OF THE FOUNDER OF THE JOHN LEWIS PARTNERSHIP

In February of 1951, the founder of the John Lewis Partnership, Mr John Spedan Lewis, announced in its weekly *Gazette* his intention to retire on his own 70th birthday, September 22, 1955, from the Chair of John Lewis Partnership Trust Limited, the position of chief individual responsibility and authority in that partnership's affairs, and to exercise in favour of Mr Oswald Bernard Miller (then twenty-four years' membership) the power, that the Partnership's constitution gives in certain circumstances to the holder of that position, to nominate his successor. The long notice has meant ease and smoothness in the Partnership's change of its Chief Executive.

The constitution rests upon two irrevocable Settlements in Trust, one of April, 1929, and a second made twenty-one years later. Such Settlements cannot be altered without the consent of a Court of Law. The scope

of these two has been restricted as narrowly as seemed just sufficient to secure the broad intention that in the John Lewis Partnership the relations of managers and managed, or as they are commonly called employers and employees, should be those between professional men and their patients, clients, or students.

In parliamentary democracy and in consumer cooperation the British talent for self government has enlightened the world. Cooperative production may be another opportunity. Perhaps sooner or later one or other of our political parties may decide to exempt experimentally from taxation the profits of enterprises that to the satisfaction of the Revenue Authorities are so organised that profit in the true sense will go not to the managers but to the managed. In such enterprises the taxation does not fall upon owners of capital. It is merely an income tax upon the workers concerned.

Sooner or later the Conservatives may decide that something of this kind has got to be done not merely to end the restrictive practices of discontented and mistrustful workers, but to prevent the spread of Communism, that latest and very highly poisonous "opiate of the people."

Socialists, on the other hand, may sooner or later decide that, though cooperative production on these lines may not produce such equality of income as to them seems possible, it will reduce at all events very greatly the preposterous inequality that exists as yet.

If by the Settlement of 1929 he had not renounced it, Mr Spedan Lewis's own income in recent years would have exceeded half a million pounds a year. The tax collector would have taken almost all of it to finance the Welfare State but the Welfare State with its multitude of unproductive office-workers and its dangers to general enterprise and energy is really only a clumsy and wasteful alternative method of securing a more reasonable sharing of the national income.

The exemption here suggested from taxation might or might not have substantial consequences but it is difficult to see how they could be in any important way bad. The psychological effects of such a gesture by the Government might strongly diminish pressure for inflationary increases of pay-rates. The idea of such "partnership for all" is at all events positive and constructive and the results of 40 years of its experimental operation in a particular case are available for study.

In spite of very great hindrances by the war, those results have included receipt by the John Lewis Partnership's thousands of members of about four and a half million pounds of profit over and above full ordinary commercial remuneration.

Already it has a capital of more than sixteen million pounds, all at fixed charges, of which the average rate for the whole is only four and a half per cent, and already it provides employment for upwards of twelve thousand members.

THE PARTNERSHIP SYSTEM

At the present stage of the development of its constitution the head of the organisation has, subject only to Company and to other Law and to powers that its constitution reserves to a Council (at present of about 120) representing its thousands of members and mainly elected by secret ballot of all of them, absolute control of a yearly pay sheet that is already four and a half million pounds and that seems likely to grow fast and far and has similar authority in all of the Partnership's operations.

In addition to the Council's powers, that have grown steadily and in course of time may grow much further, the constitution secures to the members of the Partnership complete freedom of speech by means of a weekly newspaper that, without requiring any disclosure of authorship, publishes any communication that in substance and form would be in order in the House of Commons.

The system leaves the worker on the one hand free to change his employment and on the other hand enable the Partnership to close a membership whenever that is thought desirable by someone to whom its constitution entrusts that power, the members having against the possibility of its abuse the safeguard of the Council's ability to award leaving gifts, an ability that must be exercised by secret ballot in any case in which that is requested by any member of the Council or anyone else concerned in that particular matter.

For such purposes the Council disposes absolutely of a yearly appropriation that already exceeds £40,000 and that must not be less than 1 per cent of the total pay sheet of the previous year.

By the autumn of 1910 the idea, that a business should be a genuine partnership of all of its workers but that their relations among themselves should be appropriate to the hard facts, that men are neither born equal in ability nor have equal luck in their upbringing and other opportunities, developed into the broad conception of the John Lewis Partnership.

The drafting of the second irrevocable settlement in trust gave rise to an application to the High Court of Chancery for leave to make a certain adjustment in the first. The consequent judgment of Mr Justice Vaisey included the words: "This is a well devised scheme to enable all the persons in this important business concern of John Lewis and Company and its Associated Companies to participate in the prosperity resulting from their activities. Indeed, I think in some respects it may be regarded as a model scheme which might well be adopted by other concerns. I am very anxious to do all I can to remove any administrative difficulties which might but for my assistance arise in carrying out the Scheme."

In the last analysis the supreme aim of our organisation is to give the highest possible standard of living to those of its members who are least fortunate in the possession of earning power and of scope for its exercise. Though in the interest of the members as a whole the pay and other attractions of positions above the lowest level of difficulty must be high enough to attract workers of first-rate ability and to retain them and to induce them to do their best, the system might in theory end in absolute equality of income. In practice, however, the earnings of a competitive private enterprise seem quite unlikely even to approach this level.

It has been thought desirable that on this occasion these matters should be mentioned in this Report not merely for more general reasons but also because a system that in theory should attract first-rate workers and secure their best efforts and that in practice seems to do so, must be good for the security of capital and for the regularity and punctuality of dividend payments.

Further information is available in the founder's two books "Partnership For All" (The Future of Private Enterprise?) published in 1949 by Kerr-Cros and now distributed by Staples Press Limited at 12s. 6d., and "Fairer-Shares" (A Possible Advance in Civilisation and Perhaps the Only Alternative to Communism) published in 1954 by Staples Press Limited, at 8s. 6d. The author's rights in both were given to the Partnership.

ENGINEERING COMPONENTS LIMITED

The twenty-first annual general meeting of Engineering Components Limited was held on May 10th in London, Mr C. C. Griffith, MC (the chairman), presiding.

The following is an extract from his circulated statement:

The Group turnover during 1955 was a record for your Companies. Such was our activity that we were able to absorb much of the increased cost of production without increasing our prices, with the final result that a Group Profit of £636,618 was made.

Out of the above profit, taxation—after deducting adjustments for prior years—takes £307,811, and the Subsidiary Companies retain £6,391, leaving your Company a net profit of £322,416. This figure added to the balance of £84,412 brought forward from 1954 gives an available balance of £406,828.

It is proposed to deal with this as follows: Dividend, 6 per cent Cumulative Preference Stock, £2,559; Final Dividend of 12½ per cent, less tax on the Ordinary Stock, with the Interim Dividend of 2½ per cent paid in October, 1955, will absorb £80,860; Transfer to General Reserve £200,000, and the Balance to carry forward, £123,409.

Our close tie with the Automobile Industry makes us largely dependent on their fortunes, but it must be realised that our customers are still doing a big spare business, and this is reflected in the Company's turnover. Up to the present our sales for the current year have been satisfactory.

The report was adopted.

GEORGE MALLINSON AND SONS, LTD. HIGH LEVEL OF SALES

The nineteenth annual general meeting of George Mallinson and Sons, Limited, was held on May 10th in London, Mr Dyson Mallinson, chairman, presiding. The following is an extract from his statement circulated with the report and accounts for the 52 weeks to February 18, 1956:

The accounts show a net profit of £125,303, a decrease of £2,970. The liquid assets exceed current liabilities by £891,361 (an increase of £46,011), and the directors recommend that the final dividend should be 30 per cent, making a total of 40 per cent for the year. We regret we are unable to recommend a bonus.

Increased competition, lower wool values and increased costs of production account for the decrease in trading profit of £21,916. The reduction in Income Tax, however, has helped to reduce this considerably, and your directors consider the Accounts to be satisfactory. Sales have been maintained at a high level. The values of wool during the latter part of the year have been steadier than for some time, and this should give confidence and stability to the industry.

It is too early to forecast the results of the current year's trading, but orders on hand will keep us fully employed for some months ahead. In the absence of any circumstances over which we have no control, I look to the future with confidence. Shortage of labour is our chief problem, and we are having great difficulty in satisfying the needs of our many customers by a given time. To alleviate this position, we are installing further machinery in the premises of our subsidiary company. The report was adopted.

THE ANGLO-PORTUGUESE TELEPHONE COMPANY

SUBSTANTIAL DEVELOPMENT IN YEAR OF GREAT ACTIVITY

UNFLAGGING DEMAND FOR SERVICES

SIR ALEXANDER ROGER ON GENERAL PROGRESS

The sixty-ninth annual general meeting of The Anglo-Portuguese Telephone Company Limited will be held on May 29th at Strower House, 8 Arundel Street, London, W.C.2.

The following is the statement by the Chairman and Managing Director, Sir Alexander Roger, KCIE, which had been circulated with the Report and Accounts:

ACCOUNTS

I am pleased to report that our Company has again accomplished substantial development in a year of great activity.

The Accounts for the year ended December 31, 1955, show that total Revenue at £2,288,656 is £258,842 higher than in 1954.

After providing for Royalties to the Portuguese Government, Renewals, Depreciation, Taxation, Debenture and Loan Interest, Sinking Fund Instalments and the expenses of Capital Issues the total Expenses amount to £1,790,501, an increase of £83,225.

The contribution which your Company makes to the State and certain Municipalities in Portugal in the form of Royalties and free or reduced rate telephone services amounted to £229,194 during the year.

Net Revenue at £498,155 is £175,617 higher than in 1954 and it is proposed to pay a final dividend of 5 per cent on the £3,985,500 issued Ordinary Capital which together with the Interim Dividend of 3 per cent paid in November last makes 8 per cent for the year on the £2,985,500 Ordinary stock issued prior to December last and 5 per cent on the £1 million Ordinary Shares issued during that month. It is also proposed to pay a dividend of 8 per cent on the "A" Ordinary Stock.

The above dividends together with the dividend on the 6 per cent Preference Stock require £205,183 and after transferring £200,000 to General Reserve the Carry Forward is increased by £89,265 to £228,503.

During 1955, two "rights" issues were made to Ordinary and "A" Ordinary Stockholders, the first of 280,500 Ordinary Shares of £1 each in May and the second of 1 million Ordinary Shares of £1 each in December. Both these issues were successful and applications for Excess Shares had to be substantially scaled down.

Of the second and larger issue, 5s. per share was payable on December 2, 1955, the balance of 15s. per share being due and received early in 1956.

The proceeds of these issues have been applied to the reduction of the sums borrowed from Telephone and General Trust Limited which had accumulated on a day-to-day loan basis for the purchase of equipment.

Our Consulting Engineers have made their annual investigation of the telephone plant and equipment and upon their recommenda-

tion the Provision for Renewals, after making adjustments in respect of plant withdrawn from service, has been increased by £183,260 to £2,182,718, which is about 22 per cent of the original installed cost of the plant and which the Consulting Engineers state is, in their opinion, adequate.

The Reserves of the Company, including the Provision for Renewals, continue to be invested in the business.

The value of telephone materials shipped to Portugal from the United Kingdom during 1955 was approximately £1,170,000, making the total value of shipments in the past six years £3,795,000. In addition to this valuable export trade for Great Britain, increasingly heavy orders are being placed with local manufacturers in Portugal. Last year purchases of these local materials were the equivalent of £440,000, making £1,556,000 over the past six years.

GENERAL PROGRESS OF THE COMPANY

The year under review was the second, and the heaviest, year of our Company's 4-Year Expansion Plan 1954-57. As the Balance Sheet shows, the book cost of Telephone Plant alone increased by over £1,770,000 and this sum provides a valuable guide to the activity of our Company when it is remembered that ten years ago the total Balance Sheet figure under this heading was less than £2,500,000. It is now almost £10 million.

During 1955 no less than 18,872 new stations (including 16,091 Exchange Lines) were added to the Company's systems in Lisbon and Oporto, the number of Stations at the end of the year having been increased to 170,755 and the number of Exchange Lines to 129,380.

The demand for service continues at a high level and applications are still being received at the rate of over 1,500 per month. There are clear indications that the public in Lisbon and Oporto is becoming increasingly telephone conscious and there is no sign of a fall in demand in the immediate future.

A number of large-scale undertakings were completed during the year. Chief among them was the bringing into service in November last of the Arceiro Exchange in Lisbon, which was followed within a few days by the opening of a new exchange at Boavista in Oporto.

The Arceiro Exchange is situated in a newly developed area of Lisbon and has an initial capacity of 8,600 lines.

The inaugural ceremony, which was presided over by His Excellency, the Minister of Communications, General Manuel Gomes Araujo, was attended by the representative of the British Ambassador, the Vice-Chairman of the Municipality, and many other leading figures in political, municipal, diplomatic, commercial and banking circles. The London board was represented by myself and two of my fellow directors.

In the speech which I prepared for this distinguished gathering I took the opportunity to review the remarkable progress we have made, particularly during the past five years, in providing telephone facilities for the communities of Lisbon and Oporto.

In his reply His Excellency the Minister of Communications warmly acknowledged the contribution which our Company is making to the development of the Portuguese economy.

The Portuguese newspapers gave generously of their space to report these speeches and to give coverage of the opening of this important new exchange. Our relations with the Portuguese Press are excellent and it is fitting that I should pay tribute to the co-operation we have received from them over the years.

No less than seven new exchanges were opened in Lisbon during the year. I have already referred to Arceiro with 8,600 lines; in addition there were Benfica, Algés, Pedrouços, Almada, Cascais and Sacavem, having together an initial capacity of a further 8,400 lines.

His Excellency the Minister of Communications honoured the Company with his presence at five of the inaugural ceremonies and, on your behalf, I would like to express thanks to him for giving us his valuable time so willingly. This evidence of the goodwill of the Portuguese Government is much valued and is a source of great satisfaction to us all.

The whole of the Lisbon Urban telephone service is now served by automatic equipment and any subscriber in the Urban area can dial directly to any other subscriber in that area.

Automatisation is now being extended to that part of the Company's system which lies south of the river Tagus.

A great part of our development consists of the extension of existing exchanges. When a new exchange is constructed we must first assess the possible future development in the district to be served by the exchange. We then plan the building to accommodate the necessary equipment to meet the demand of the early years, at the same time providing space for extension for later years. This planning calls for the utmost care and skill, particularly in rapidly growing communities, and our management gives particular attention to this aspect of development in order to achieve a maximum of economy commensurate with the provision of a satisfactory service.

During the year large-scale extensions were made to four exchanges in Lisbon and two in Oporto.

In Oporto towards the end of the year a new exchange was opened at Boavista with an initial capacity of 4,200 lines. We were happy to welcome the Civil Governor of Oporto, who kindly presided at the inaugural ceremony which was attended by many of the leading figures in Oporto. As in the case of similar operations in Lisbon, the

Company received much valuable publicity on the occasion of the Boavista cut-over.

FINANCE

I have already referred to the two successful "rights" issues of Ordinary Shares made during 1955, one in May and the other in December. These issues have enabled us greatly to reduce the temporary loans from Telephone and General Trust Limited which have formed the basis of our financial programmes since 1928.

In the present period of rapid development, entailing heavy expenditure, the Company is able to effect economies through being able to borrow large sums from Telephone and General Trust Limited on a day-to-day basis. The alternative would be to raise additional permanent capital in advance of requirements thereby causing new capital to be unremunerative temporarily. This is due to the fact that, particularly when new exchanges are being erected and equipped, substantial expenditure is incurred progressively over a period of some twelve months or more before the exchange can be made revenue earning.

It follows, therefore, that if we are to keep pace with the unflagging demand for service in Lisbon and Oporto we are faced with the need to raise new capital regularly as the pattern in recent years shows.

PORTUGAL

The outstanding event of the year in Anglo-Portuguese relations was the state visit to this country of His Excellency the President of Portugal, General Francisco Higinio Craveiro Lopes, and Madame Craveiro Lopes in October last.

The visit was an unqualified success and the spontaneous welcome given by the people of London and the friendly exchange of greetings between the two peoples to which the visit gave rise were indications of the continuance of the strong bond of alliance which has existed between Great Britain and Portugal over so many centuries.

The state visit was preceded by a most successful official visit to Lisbon by Sir Seymour Howard, the then Lord Mayor of London, who was accompanied by representatives of the Corporation of London.

In the economic field Portugal proceeded with the Six-Year Economic Plan, begun in 1953, to develop industry and agriculture and to undertake new public works both in metropolitan Portugal and the overseas territories. During the year the plan was revised to increase the investment programme by some £28 million during the remaining four years covered by the plan to bring the overall expenditure up to approximately £183 million.

The year saw further advances in the nation-wide hydro-electric scheme with the completion of the third and penultimate stage of the Cavado-Rabagão system and of the final stage of the Zezere system.

It is estimated that the annual output of electricity by 1958 will have trebled as compared with the output in 1950.

The availability of adequate power is a prerequisite of the industrial expansion of the economy, and the hydro-electric schemes, by harnessing the natural resources of the country, will prepare the way for the big industrial and agricultural development which Portugal is setting out to achieve.

Within the next ten years, however, it is probable that even the increased hydro-electric supplies will be insufficient and ex-

tensive research is being undertaken in the harnessing of atomic power for industrial purposes.

The United Kingdom and the United States of America have undertaken to provide information on atomic power and the first nuclear generator in Portugal is expected to be in production in less than ten years. Deposits of atomic fuel have been discovered both in Portugal and in the colony of Mozambique, which, it is expected, will render the country self sufficient.

The present prosperity of Portugal and the undoubted promise of her future prospects can be attributed largely to the fact that for almost the past three decades the country has followed a constructive policy, unhampered by internal political conflict.

The foresight and masterly planning of the Prime Minister, Dr. Antonio de Oliveira Salazar, and his Ministers provide an example to the world in constructive development and in the advantages of gradual progress within the framework of a stable economy. Portugal today is one of the few countries which are not beset by recurrent economic crises.

VISITS AND PERSONNEL

Your Directors continue to make frequent visits to Portugal as it is impossible otherwise satisfactorily to plan and direct policy with a thousand miles separating London and Lisbon. Furthermore, it has been our experience that visits between London, Lisbon and Oporto by members of our own staff and of our principal suppliers and associates has created a valuable and closely integrated unit of commercial and technical management, finance and manufacture, all of which are interrelated.

In 1955 I made three visits to Portugal, during the last of which I had the honour of being received by His Excellency the President of the Portuguese Republic. On two occasions I was received by the Prime Minister, His Excellency Dr. Salazar, and in an atmosphere of the greatest cordiality was able personally to give His Excellency the latest news of our Company and to discuss with him generally National and International affairs.

I also met and conferred with the Ministers of Foreign Affairs, the Presidency and Communications, the President of the Lisbon Municipality and many other leading figures in Portugal. In all these meetings I sensed the confidence and competence which are the hallmarks of the New State coupled with goodwill towards our Company.

In November last the Board in Portugal lost a valued colleague through the death of Snr. Eduardo Luiz Pinto Basto, who had been a Lisbon Director since 1942. The London Directors share the loss suffered by their colleagues in Portugal.

Snr. Engenheiro Antonio Bustorff Silva has accepted our invitation to fill the vacancy.

It is my pleasant duty to acknowledge with gratitude the valuable co-operation received by the London Board from Snr. Engenheiro A. Branco Cabral, CBE, and his colleagues on the Lisbon Board and from Dr Antonio Bustorff Silva, CBE, our Legal Adviser.

I also have pleasure in congratulating, on your behalf, our General Manager in Portugal, Mr R. S. Thorp, and his colleagues, staff and workpeople in Lisbon and Oporto upon the successful completion of a year of great achievement and in this I include the personnel in our London organisation who work in the closest harmony with the staff in Portugal.

BRITISH ALUMINIUM

INCREASED INCOME

The annual general meeting of The British Aluminium Company, Limited, was held on May 8th in London.

Marshal of the Royal Air Force the Right Honourable Viscount Portal of Hungerford, KG, in the course of his speech, said: "The consolidated income for the year after tax amounted to £1,426,717, which compares with £733,821 for the previous year."

During the year our primary operations have been influenced adversely by the low rainfall which seems to have been experienced in large areas of the Northern hemisphere. Over our Scottish catchment areas the rainfall in 1955 was only two-thirds of the long-term average. This compelled us for some months to close our Super Purity refinery at Foyers, and to reduce load both at Kinlochleven and Lochaber to less than half. Fortunately, our Super Purity refinery at Vikeland in Norway was not affected by power shortage and was able to operate at full capacity throughout the year. The demand for this product continues to be strong.

Our Research Department at Chalfont has continued its important contribution in all spheres of our activity, and has done most valuable work on new developments, particularly in welding, where the perfection of new processes is opening up most interesting prospects for increasing the use of our metal.

NEW CANADIAN SMELTER

I now come to what is perhaps the most important single development in the history of your company. After a number of disappointments in our search for a suitable location for additional aluminium ingot production, the creation of a new smelter, which we consider so vital to the company's long-term future, is under way. The needs of the company are steadily increasing and, in addition, there is a growing demand for aluminium ingot both from the company's subsidiary and associated companies and from other sources throughout the world.

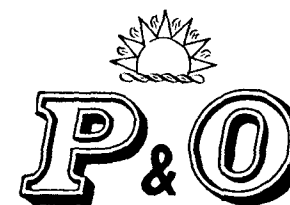
One of the main considerations in selecting a suitable site for a factory of this kind is a large supply of electrical power at low cost, this being the factor which makes further expansion in the United Kingdom impossible. It came to our notice that such power might be available at Baie Comeau in the Province of Quebec.

You will have seen references to the formation of Canadian British Aluminium Company Limited, and to an increase in the authorised capital of your company and an extension of the Directors' borrowing powers. It is our intention immediately to issue 2 million of the new Ordinary Shares for which we seek authorisation. These shares will be offered to shareholders registered at the close of business on April 24th last at a price of 40s. per share, in the proportion of two new Ordinary Shares for every £5 Ordinary Stock already held.

Coming now to the Accounts, the total Manufacturing and Trading Profit for the year amounts to £3,248,463, which is £1,248,830 greater than in the previous year. We recommend a final dividend of eight per cent on the Ordinary Stock which, with the four per cent already paid, makes twelve per cent less tax for the year.

The report was adopted and at a subsequent extraordinary general meeting the capital of the company was increased to £12 million by the creation of 5 million ordinary shares of £1 each.

Peninsular and Oriental



Steam Navigation Company

STEADY PROGRESS IN A YEAR OF INFLATION

THE BOARD'S DIVIDEND POLICY RESTATED

THE THREAT TO BRITISH INTERESTS BY "FLAGS OF CONVENIENCE"

THE ONE HUNDRED AND SIXTEENTH ANNUAL GENERAL MEETING of the Peninsular & Oriental Steam Navigation Company held on Wednesday, May 9th, at the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2. Sir William Crawford Currie, G.B.E., managing director, presided and in the course of proposing the motion for the adoption of the Report and Accounts said that he had mentioned in his speech last year that they had decided upon certain changes in the form of the Accounts. The nature of those changes was set out in the Directors' Report.

The result of the operations of the Group for 1955 had been a profit after taxation of £5.6 million, which was some £350,000 larger than for 1954. It had to be added, however, that investment allowances had relieved taxation to the extent of over £800,000 and had the investment allowance not operated, the profits would have been some £300,000 less than they were last year.

Every year since 1949 the dividend had been increased, and since at 8% it still represented only some 1.3% tax free on the capital employed in the business, they could hardly be reproached on national grounds if it were to be increased again this year. But, as he had recalled, they had not made a larger profit this year than last, except by reason of the investment allowance.

DIVIDEND CONSIDERATIONS

Turning to current conditions as a guide to dividend considerations, Sir Wm. Currie said that costs continued to rise at the rate of 6% to 7% per annum—a rise which was extremely difficult to match in revenue. Tramp earnings continued to be remarkably good. Those of the Liner Companies operating in the East had some reason to expect better conditions generally than they had met in the past few years. The Australian trade, however—like the trade of the U.K. itself—was what at sea they would call tender. It was lacking stability, and could fall off seriously under the impact of economic stress. Since the close of the Group's accounts, there had been two increases in the price of oil and an increase had recently been negotiated in the basic rate of wages of their seagoing staffs, which together in a full year for the P & O Company alone, quite apart from the rest of the Group, would increase the outgoings by £425,000. The loss to the Group resulting from the recent prolonged strike in Australia was estimated to be over £300,000. In these circumstances the Directors regretted that they could not justify proposing an increased dividend this year.

THE BOARD'S POLICY

It had been suggested that the Company should in some way distribute some of the profit it now retained for its maintenance.

This was not a policy which the Board could adopt as within 10 years the Company would have lost all its goodwill, half its business, and most of its good men. They believed

that businesses did not stand still. They either improved or they deteriorated. They either grew or they diminished. They believed that their duty to Stockholders was to try to improve the value of their Company as the years went on. The fact that a long period of inflation made this duty more difficult was neither here nor there. It did not alter their duty. They aimed at producing for Stockholders increasing returns, justified by increasing stability, and produced from increasing interests. So far, their predecessors and they themselves had succeeded.

FLAGS OF CONVENIENCE

The phrase "flags of convenience" was much heard in shipping circles today. The flags in question were those of Liberia and Panama, and certain other countries which had no maritime reality but which offered to shipowners virtual freedom from national taxation and national controls of any kind. When the next slump in shipping occurred, Shipping Companies who bore in full their respective national responsibilities would find it hard to compete on price with those who could always undercut them by the whole cost of taxation, social services and the like. This cloud was no longer the size of a man's hand. Flags of convenience now ranked third to U.K. and U.S.A. amongst tanker ownership in the world, and were becoming increasingly important in the drycargo trade as well. This had become such a very serious matter for all British Shipowners and Shipowners of other established maritime nations that it could no longer be regarded lightly. The British shipping industry and the Government were already giving close attention to the matter, and the Board would watch the position carefully.

NATIONALISED TRANSPORT INADEQUATE

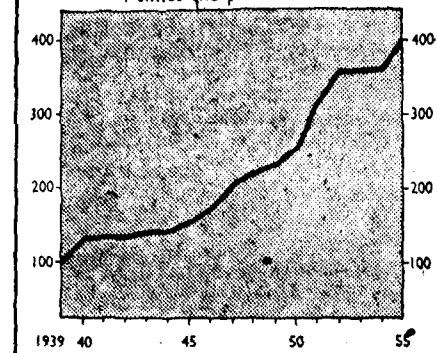
He suggested that they should cast their minds to the state of nationalised transport, represented by the railways and the road system of this country. Primarily because those who ran them had been dependent on governmental control they were now quite inadequate because they had been starved of capital expenditure during a decade in which private industry had made quite extraordinary efforts to produce the money to re-equip and modernise itself. It was profoundly to be hoped, therefore, that the Chancellor would realise the need to spend vast sums of money on improving the ports, railways and roads of this country.

On behalf of the Stockholders as well as on behalf of the Board and himself, the Chairman expressed grateful thanks to all P & O people at sea, to all the Company's Agents, and to all P & O people ashore, for what they had done to keep the flag flying.

IF YOU ARE INTERESTED in obtaining copies of the Chairman's Speech or the Annual Report, please write to the Secretary, Peninsular and Oriental Steam Navigation Company, 122, Leadenhall Street, London, E.C.3.

THE COST OF SHIPBUILDING

is now 2½ times what it was in 1945 and is 4 times the pre-war cost



Index of Cost of Shipbuilding (1939=100) based on 'Fairplay' figures

BABCOCK & WILCOX

OUTPUT AGAIN A RECORD

MR W. LIONEL FRASER ON HIGH LEVEL OF EFFICIENCY

The fifty-seventh annual general meeting of Babcock & Wilcox Limited will be held on May 29th in London.

The following is the Review by the Chairman, Mr W. Lionel Fraser, CMG, which has been circulated with the report and accounts for the year ended December 31, 1955:

THANKS TO STAFF AND OPERATIVES

Once again I desire, on your behalf, to express our gratitude to the Staff and Operatives of the Company and of the Group Companies, both at home and abroad, whose sustained efforts we so much appreciate. Our employees have contributed signally to the success of the year's trading and the anxieties of 1955 have not by any means been less than those in recent years. I know that throughout the whole Group we can rely in the period ahead on the maintenance of that team spirit which is the hall-mark of our organisation.

DIVIDEND AND FINANCIAL RECOMMENDATIONS

The profits of the Group, subject to United Kingdom taxation but after setting aside the sum of £1,780,282 for depreciation, were £4,629,498. After providing for United Kingdom taxation and making other necessary adjustments, the balance standing to the credit of the Consolidated Profit and Loss Account is £2,213,748. The Preference Dividends, less tax, required £54,713 and your Directors now recommend that a Final Dividend of 8 per cent, less tax, be paid on the Ordinary Stock, requiring £346,122, making a total of 15 per cent for the year.

It is owing to the need to conserve our resources, and especially having regard to the present difficulties of the national economy, that your Board felt it undesirable to recommend any change in the dividend on Ordinary Stock. Your Board recommend that the sum of £329,138 be transferred to General Reserve, which, together with amounts placed to reserve in the accounts of the Subsidiary Companies, raises General Reserve to a new total of £7,186,268. It is also recommended that the sum of £500,000 be transferred to Special Research and Development Reserve.

PLANT AND MACHINERY

I referred last year to the continuance of the Group's postwar policy to devote substantial sums to the provision of new plant and equipment. This is of cardinal importance, for we are heavily committed, as manufacturers of steam generating plant. Moreover, the preparations which we have made over the past eight years to play our part in the field of nuclear energy have, I am happy to say, resulted in our obtaining further contracts from the United Kingdom Atomic Energy Authority in connection with the Calder Hall "B" and Chapel Cross installations.

SALES AND TURNOVER

Throughout the year production has been well maintained, although the shortage of skilled labour and of draughtsmen has been the constant concern of our managements. The advancements in science and engineering technology call for ever higher degrees of skill in the design, engineering and manufacture of your Company's products, and in these circumstances it is gratifying that the

subsidiaries. Your Directors are convinced today, more than ever before, of the correctness of their policy to establish such manufacturing units, using whatever materials and labour are available locally with the more specialised and complicated components coming from this country. Healthy Overseas Subsidiaries can be the source in the future of most useful financial contributions to this country. Obviously close liaison is essential and with this in mind, Directors and senior executives of your Company have throughout the past year paid visits to all the leading Subsidiaries abroad.

GENERAL REVIEW AND PROSPECTS

It will be clear that we have had a year of progress and achievement. It has been a period of great complexity in international trade and unfortunately it cannot be said that the outlook is for any immediate betterment. We in Babcock & Wilcox are only too conscious of the dire need in the national interest to expand the exports of our engineering industry, but competition is increasing in all sections of our business, and it will be all we can do to meet it. Certainly we cannot afford for one moment to be complacent and we know that the only way in which further success can be achieved is through our being able to design, manufacture and construct the best possible economical product at the most economical price. That is our constant aim and ideal.

And it is also because I am convinced that never before in the history of your Company has there been a state of better preparedness and greater ability to tackle any problems which may confront us and to keep abreast of constantly changing circumstances, that I have no qualms once again, despite all seeming difficulties, in expressing a sanguine view of your Company's future prospects.

JOHN BARKER & COMPANY

NEW RATING ASSESSMENTS SHOCK

The sixty-third ordinary general meeting was held on May 4th in London.

Mr Trevor A. Bowen, DL, JP (the Chairman), in the course of his speech, said: The result of the year's trading operations of John Barker & Company, Limited, is a net profit, before taxation, of £768,715. Of this amount, taxation takes £409,947 (or 53.33 per cent), leaving a balance profit of £358,768.

I must again, unfortunately, refer to purchase tax—that thoroughly bad tax. There are now six rates of purchase tax varying from 5 per cent to 90 per cent of the wholesale value. If we are to be burdened with this unfair tax as a permanent measure, immediate steps should be taken to compensate traders for any tax losses by way of a rebate.

The Chairman then referred to the progress of the rebuilding of the main Barker Block, which if all went well would take about another two years before completion. He added that the new rating assessments now in operation had come as a great shock and presented a grim picture. The total assessment of their Kensington store properties had increased by 136 per cent over 1955, and the total additional cost to the Company would be not far short of £100,000.

The Board would do their utmost to keep the fast rising operating costs at the lowest economic level, but the effect of the increase which applied generally throughout the country was bound to reflect on prices during the coming months.

LONDON & MANCHESTER ASSURANCE

LORD GRANTCHESTER'S SPEECH

SAVINGS BOND POLICIES

A number of our policy holders effected during the war policies under which the Company contracted to provide Savings Bonds instead of cash. Some of these policies matured during 1955 and more will be due shortly. These Government Bonds stand at the present time at a discount, which is disappointing to those patriotic citizens who have been paying for them. Your directors have decided, I hope with your approval, to give such policy holders the option to receive in cash on maturity the full face value of their Bonds as an alternative to a Government Bond the sale of which at the present time would bring them less than they hoped to receive.

INVESTMENTS

A significant feature of this year's report is the higher rate of interest earned on investments. This is largely due to the re-arrangement of the balance in the investment portfolio as between Government securities and industrial equities. The resulting higher interest income is a material factor in the consideration of bonus declarations. The interest we can earn is dependent to a considerable degree upon dividends paid on our investments. Bonus possibilities are therefore directly linked with the profitability of industry.

New money available for investment derives this year as it happens almost entirely from interest income, which amounted to over £2 million. The increase in our equity holdings shows where the greatest proportion of new money has been invested.

Of the £33 million invested in mortgages £31 million is accounted for by mortgages on houses, shops or business premises under our house purchase schemes providing for repayment by means of endowment assurances.

It is again satisfactory to be able to record that the balance sheet values of the stock exchange securities as at December 31st last were in total less than their market value without recourse to the Investments Reserve Fund.

GOVERNMENT SPENDING AND PERSONAL SAVING

Your directors would deplore, as I am sure you would, attempts to interfere with or to influence their discretion in the investment of your Company's funds. Those who advocate such a policy are, we feel, deluding themselves and deceiving others when they imply that such intervention could be a material factor in righting the inflationary situation arising out of the great expansion of credit brought about largely, in my opinion, by Government over-spending. We who seek, above all, to safeguard our policy holders who entrust their savings to us, deplore the depreciation of the currency which has taken place and hope that the Government will practice the restraint it preaches.

We welcome the recently expressed determination of the Chancellor of the Exchequer to cut Government expenditure and hope the cut will not be limited to £100 million.

We also welcome the emphasis placed in his budget speech upon the value of saving. He stressed the benefit to the national

economy. It is for us to stress the value to the saver in an uncertain future of the security afforded by London and Manchester policies.

We are endeavouring to obtain a full share of the new business which may be expected from self-employed persons who will now be able on better terms to provide a pension for themselves by taking out a deferred annuity. Business of this type would fit in well with our existing structure which is substantially weighted with short and medium term endowment assurances.

STAFF

I hope, my Lords, Ladies and Gentlemen, you share the opinion I hear often expressed that your Company is today more widely known to the public it tries to serve and is respected accordingly. I think our advertising policy, though on a modest scale in these days of big splashes, has played a part but our best advertisement must always be in the persons of those who represent the Company, an asset which does not appear in the balance sheet.

If this is a deserved tribute to the staff for their work in the past it is also an invitation to them to continue their efforts the better to serve a growing public who count them and the London and Manchester as their friends.

For ourselves as for others we have to keep in mind that, if the value of the remuneration we receive for our work is not to melt away in our hands through inflation, increased reward must follow from increased effort. The London and Manchester provides a wide field of opportunity and of consequent reward to the staff whose efforts are directed to building the business of the Company in all its branches.

JEREMIAH ROTHERHAM & COMPANY, LIMITED

IMPROVED PROFIT

The fifty-eighth annual general meeting of this Company was held on May 9th in London, Mr F. Sydney Snowden, chairman and managing director, presiding.

The following are extracts from his circulated statement for the year to January 15, 1956:

The net profit of the parent company has improved, despite the heavy drain imposed by taxation and continually increasing overhead charges, particularly as to wages, motor transport and carriage.

Last year I referred to the vast amount being spent through the hire-purchase system on the purchase of such articles as refrigerators, wireless, television sets and motor cars. The present Chancellor of the Exchequer has evidently realised that the steps taken by his predecessor to reduce this form of expenditure had not had the desired effect, but it is obvious with the further restrictions now imposed, hire purchase has been drastically curtailed, and I think we can reasonably assume that more money may now be expended on commodities such as are supplied by ourselves and other wholesale warehouse.

The balance of profit amounts to £22,629, against £20,229 last year. After adding the balance of £54,809 brought forward from 1955 and deducting the interim dividend of 6 per cent, less Income Tax, paid on April 3, 1956, and the Profits Tax payable on this dividend, there is a balance of £49,238, which the directors recommend be carried forward. The orders for later deliveries are being maintained, and give encouraging prospects for the future.

The report and accounts were adopted.

ROYAL DUTCH PETROLEUM COMPANY

N.V. KONINKLIJKE NEDERLANDSCHE PETROLEUM MAATSCHAPPIJ

(Founded in 1890)

ANNUAL GENERAL MEETING, MAY 30th, 1956

BALANCE SHEET AS AT DECEMBER 31, 1955

Investments:		
Group Companies	7,075,315,274	
N.V. Nederlandse Olie Maatschappij	—	7,075,315,274
Current Assets:		
Receivables from Group Companies:		
Dividends	146,832,000	
Supplementary amounts	25,911,529	
Other Receivables	12,627,748	
Marketable Securities	134,608,520	
Cash at Bankers	13,376,626	
Total Current Assets	333,356,423	
Current Liabilities:		
Proposed Dividends	243,333,120	
Accounts Payable and Accrued Liabilities	5,904,933	
Unclaimed Dividends Payable	5,324,056	
Amounts held for Shareholders in respect of 1947 issue	4,875,642	
Total Current Liabilities	259,437,751	
Excess of Current Assets over Current Liabilities		73,918,672
		7,149,233,946
Capital:		
Ordinary Share Capital	2,998,500,000	
of which unissued	1,782,134,400	
	1,216,365,600	
4% Cumulative Preference Share Capital	1,500,000	1,217,865,600
Capital Reserves:		
Share Premiums	22,409,543	
Investments	5,777,716,301	5,800,125,844
Retained Earnings (after deducting proposed dividends)		131,242,502
		7,149,233,946

STATEMENT OF INCOME, 1955

INCOME:		
From Group Companies:		
Dividends	213,455,418	
Supplementary Amounts	38,581,615	
Other Income, principally interest on marketable securities	2,039,649	
	254,076,682	
EXPENSES:		
Administrative and Other Expenses	2,065,111	
Net Loss on Marketable Securities	2,329,744	
Directors' and Managing Directors' Remuneration	5,598,782	
	9,993,637	
Net Income for the Year		244,083,045

STATEMENT OF RETAINED EARNINGS, 1955

Total at beginning of Year:		
Earned Surplus	130,097,287	
General Reserve	—	
	130,097,287	
Net Income for the Year	244,083,045	
Prescribed Cash Dividends	395,290	
	374,575,622	
Deduct:		
Proposed Distribution:		
Cash Dividends:		
Preference Shares 4%	60,000	
Ordinary Shares 20%*	243,273,120	
	243,333,120	
Total at end of Year		131,242,502

* 1954: 16%

The Hague, April, 1956.

The Board of Directors:
 J. B. AUG. KESSLER, *Chairman*.
 W. H. VAN LEEUWEN.
 J. KLOPPER.
 E. J. IJZERMAN.
 W. H. DE MONCHY.
 C. J. COLLOT D'ESCURY.
 F. Q. DEN HOLLANDER.
 J. LUYTEN.
 M. P. L. STEENBERGHE.
 B. TH. VAN HASSELT.

The Managing Directors:
 J. H. LOUDON, *General Managing Director*.
 H. BLOEMGARTEN.
 F. A. C. GUÉPIN.
 L. SCHEPERS.

PRINCIPAL POINTS OF INTEREST IN THE ANNUAL REPORT FOR 1955

The Net Income of Royal Dutch Petroleum Company for 1955 of fls. 244,083,045 makes possible the payment of a dividend of 4 per cent. on the cumulative preference share capital of fls. 1,500,000 and of 20 per cent. on the ordinary share capital of fls. 1,216,365,600 outstanding on 31st December, 1955; the latter includes 6 per cent. already made payable as interim dividend in January, 1956.

The Royal Dutch/Shell Group of companies maintained its leading position in the world markets and sales of "Shell" oil and chemical products world-wide again increased over the previous year.

Production of crude oil and natural gasoline, including quantities received under special supply contracts, amounted to over 1.9 million barrels daily, which was about 9 per cent. greater than in the previous year and almost three times as much as in 1946.

The amount of crude oil processed in Group refineries all over the world increased to nearly 2 million barrels daily.

The total owned and chartered tonnage of vessels of 2000 dwt. and over operated by Group companies amounted to about 7.7 million tons, of which about 2.8 million tons were owned and the balance chartered.

As on previous occasions, the Annual Report of Royal Dutch Petroleum Company will include financial statements of the Royal Dutch/Shell Group of companies.

The Net Income for 1955 of the Group amounted after taxation to £160 million (£134.5 million in 1954).

As a consequence of the increased activities, sales proceeds and other income amounted to £2,051 million (£1,852 million in 1954) and therefore exceeded £2,000 million for the first time.

Capital expenditures in 1955 amounted to £283 million (£226 million in 1954). This brings the total sums expended under this heading in the past 5 years to well over £1,000 million; an indication of the great investment necessary in the oil industry today to meet the rapidly growing demand for oil throughout the world.

Cash and securities amounted to £344 million at the end of 1955 and showed little change from the £346 million over the previous year.

Sales taxes, excise duties and similar levies collected and paid by Group companies totalled £444 million in 1955 (£406 million in 1954).

Income taxes throughout the world absorbed £116 million in 1955 (£106 million in 1954).

From the Net income of £160 million, dividends have been declared in respect of the year 1955 to the parent companies, viz., Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Limited, of £33.4 million (for 1954 £26.8 million). The balance has been retained in the business.

Copies of the full report and accounts can be obtained free of charge from N. M. Rothschild & Sons, New Court, St. Swithin's Lane, London, E.C.4.

CROFTS ENGINEERS (HOLDINGS)

GRATIFYING TRADING RESULTS

The eighth annual general meeting of Crofts Engineers (Holdings) Limited was held on May 4th at Bradford, Sir Arthur Croft (Chairman) presiding.

The following are extracts from his circulated statement:

It is with great pleasure I present to you the Accounts for the year ended December 31, 1955. We are again showing increased profits; but on this occasion these include the results of a full year's working of the whole of our Group of Companies, including the two Companies acquired during the previous year—Carter Gears Limited and Parkinson & Son (Shipley) Limited, and the substantial increase in profits is due in the main to this fact. Extensions and alterations have prevented us from reaching the production anticipated; all the same the results are very gratifying.

The Trading Profit, before providing for taxation, is £861,173; against £706,716 for 1954. Tax takes £415,332, leaving a net profit of the Group of £445,841 (against £356,476 for 1954).

During 1955 the capital was twice increased by the capitalisation of Reserves; the first occasion being in the proportion of

one new share for every two Ordinary Shares held on June 7, 1955, which amounted to £400,000; and a second issue on December 22, 1955, of one new share for every three shares held resulted in the further capitalisation of £500,000. In addition, an issue of new capital was made to Ordinary Shareholders in the form of a "Rights" Offer. Almost 100 per cent of the new shares were taken up by them.

An Interim Dividend of 7½ per cent, less income tax, on the Ordinary Share Capital of £800,000 was paid in June, 1955, absorbing £34,500.

The Directors propose that a Final Dividend of 7½ per cent should be paid on the £2 million Ordinary Share Capital. The total distribution for the year on the Ordinary Shares is therefore £120,750, compared with £99,000 for 1954.

The Directors have given very serious consideration to the rate of Final Dividend proposed, and they feel that in future the Group should be able to finance its continued development out of its own resources. For this reason they have decided not to recommend an increase in the dividend rate, but to maintain the effective rate paid for the previous year—which in itself was an increase on the year 1953.

In my statement last year I informed you of the acquisition of J. Parkinson & Son (Shipley) Limited and Carter Gears Limited. Both Companies have installed additional

plant during the year, also Parkinsons have put up Works extensions which are almost completed—it is expected that by the end of 1956 this Company will be well on the way to full production on its increased capacity.

The Fixed Assets of the Group clearly indicate the rapid growth of your Company. The net increase in these assets during the year is £303,000, and this reflects the continued policy of installing modern machines and equipment in the operating subsidiary companies. There are commitments outstanding at December 31, 1955, for capital expenditure amounting to £218,000.

PROSPECTS

The future prosperity of the Group depends on trade and demand. All our Companies are in a position to deal with increased business, and, as stated last year, although competition is keener, we feel that due to the added strength and greater efficiency being obtained we are in an even better position to secure our share of any business available.

A general expansion in trade has taken place in all areas, both on Power Transmission equipment and Machine Tools, and our Canadian and South African Companies continue to show satisfactory progress.

The report was adopted.

THE KLABANG RUBBER COMPANY LIMITED

SIR JOHN BARLOW'S SPEECH

The thirty-sixth Annual General Meeting of the Klabang Rubber Company, Limited, was held on May 1st at Plantation House, London.

Sir John D. Barlow, Bart., MP, in the course of his speech, said:

The profit for 1955 was £29,843. Taxation requires £12,800. The transfer to replanting reserve is £10,000. An Interim Dividend of 1s. 6d. per stock unit (7½ per cent), less income tax, was paid on April 10, 1956, which required £8,625. There will be no further dividend in respect of 1955. The carry forward to next year's accounts is slightly reduced at £14,065.

As well as the 7½ per cent Interim Dividend, a Special Capital Distribution of 1s. per stock unit (5 per cent) was paid on April 10, 1956. This Capital Distribution is exempt from Income Tax and is made from the Capital Realisation Surplus account, which is reduced to £22,218.

CROP FIGURES

The crop of 766,000 lb was 67,000 lb less than last year, because of a changeover to a less intensive system of tapping. The cost of production was 20½d. per lb, which excludes provision for amortisation of estates, and the gross selling price nearly 4d. per lb, which enabled a profit of nearly 1d. per lb to be earned. This is the largest profit since the Korean War Commodity boom of 1950 and 1951.

From June 1, 1955, the Malayan Government raised the scale of export duty at prices above 22½d. per lb and introduced an anti-inflationary cess at prices above 28d. per lb. Discussions are continuing with the Government to try to agree to the method of repayment of the anti-inflationary cess, which should be returned to estates when the price of rubber falls below

28d. per lb. Export duty and anti-inflationary cess, after deducting replanting cess refunded, cost 4½d. per lb, or £14,733—over a fifth of the estates' revenue expenditure; this is the largest amount of export duty the Company has paid.

WORLD OUTLOOK

The outlook for world production and consumption of all types of rubber in 1956 is estimated at (in 1,000 tons):

	Natural	Synthetic	Total
Production	1,850	1,285	3,135
Consumption	1,820	1,180	3,000
Surplus.....	30	105	135

The figures show that production and consumption are almost balanced. With increasing industrial activity in many countries of the world, the demand for natural and synthetic rubber is high. Each product is essential for certain industries, but it has been estimated that nearly half the world's demand for rubber can be satisfied either by natural or synthetic rubber, depending on price.

ELECTIONS IN MALAYA

In July, 1955, the first elections were held in Malaya for 52 out of 98 seats in the Legislative Council. The Alliance party, which is composed of Malay, Chinese and Indian organisations, gained 51 out of 52 contested seats. Tunku Abdul Rahman was appointed Chief Minister. He visited this country in January, 1956, with a delegation from the rulers of Malaya and representatives of his Government. Discussions were held with HM Government in a cordial and friendly atmosphere. The communique issued at the end of the talks showed how large the measure of agreement was between the Malayan delegation and HM Government. It was agreed that every effort should be made to achieve self-government in Malaya by August, 1957, if possible.

The Report and Accounts were adopted.

RHEOSTATIC COMPANY, LIMITED

RECORD TURNOVER AND PROFIT

The nineteenth annual general meeting of The Rheostatic Company Limited was held on May 4th at Slough, Mr M. J. Gartside, B.Sc.(Eng.), M.I.E.E., A.C.G.I., F.C.C.S. (chairman and managing director), presiding.

The following is an extract from his circulated report for the year ended September 30, 1955:

I have pleasure in presenting Accounts which show a year of considerable progress. Both turnover and profit attained new high levels and Export sales accounted for a higher percentage of the total. The net profit before taxation increased by over 50 per cent to £237,771; after deduction of income tax and profits tax the net profit is £134,965 compared with £80,415.

The Board recommends a final dividend of 12½ per cent which brings the total distribution to 18½ per cent. This dividend provides a total distribution to shareholders greater than that of last year.

The reputation of Satchwell temperature controls continues to be enhanced both for the control of domestic electric appliances such as water heaters and cookers and for the automatic control of central heating. Taking the long view, the Board has confidence that the Company will continue to progress as it has done in the past.

Your Board has decided to call an Extraordinary General Meeting for the purpose of increasing the capital of the Company from £650,000 to £900,000, and to offer further shares at par to the Ordinary Stockholders on the basis of one new share for every share held. The directors expect to be able to recommend next year a total dividend of not less than 12 per cent on the ordinary capital as increased by this rights issue.

The report was adopted and the increase of capital approved.

UNITED BISCUITS LIMITED

RECORD SALES

The eighth annual general meeting of United Biscuits Limited will be held on May 31st in Edinburgh.

The following is an extract from the Statement by the Chairman, Mr Peter G. Macdonald, W.S., J.P., circulated with the report and accounts for the year 1955:

I am again in the happy position of being able to report group sales for the past year which break all our records at a figure of over £13,500,000, an increase of £2 million over the previous year. This increase in sales has, I feel, been due to the continuing popularity with the housewife of the products of McVitie & Price and Macfarlane Lang.

The policy of your Directors in the modernisation of plant and mechanisation of many processes—automation as it is now called—especially in the packeting of biscuits, has enabled us to handle this greatly increased volume of trade with a consequent reduction in overhead charges. Accordingly we were able in June, 1955, to pass on some of this saving to the housewife in the form of a reduction of a penny per pound in the price of biscuits. When so much discussion is taking place in Government circles with a view to a reduction in the cost of living I am particularly pleased that we have been able to help in that direction. It is noteworthy that the price of our biscuits today shows an increase of only 60 per cent on prewar prices despite increases in the cost of our main ingredients—flour, fat and sugar—ranging from double to treble the prewar figures. I know of no other foodstuff which gives the housewife comparable value today.

EXPORT

Our export trade has increased by about a third over the previous year, in spite of the fact that some of our perishable goods had to be returned from the docks owing to the Dock Strike, which again emphasises the important fact that we all depend on each other and that we must all pull together for the benefit of the whole. The increase in export trade is particularly encouraging as over 70 per cent was exported to hard currency countries.

The group profit for the year to December 31, 1955, before providing for taxation, amounted to £2,163,270, as compared with £1,911,533 in the previous year, an increase of £251,737. Income tax and profits tax require provisions of £1,062,741 and there remains after taxation a balance of £1,100,529 (1954, £997,219). The preference dividend for the year and an interim dividend of 4 per cent, less tax, on the ordinary shares paid in October last required £103,500, and the Directors recommend that the final dividend on the ordinary shares be 10 per cent, less tax, requiring £172,500. The total dividend of 14 per cent for this year is at the same rate as last year but payable on the increased ordinary share capital. This year's distribution is therefore equivalent to 21 per cent on the old capital.

The future prosperity of the biscuit industry is, like all others, primarily dependent on the general economic health of the whole country, and it is hoped that the steps which the Government have recently taken will strengthen our national economy. If this is achieved I feel that we can look forward to the future confident that we can expect to get at least our fair share of the trade of the biscuit industry and that a satisfactory level of profits may be obtained.

FRIENDS' PROVIDENT AND CENTURY LIFE OFFICE

STATEMENT BY SIR OLIVER FRANKS

The one hundred and twenty-third Annual General Meeting of Members was held on May 9, 1956. The following is an extract from the statement by the chairman, the Right Honourable Sir Oliver S. Franks, which has been circulated with the Report and Accounts for the year ended December 31, 1955:

The New Life Assurances of the Group amounted to the record total of just over £29 million, which compared with the record of the previous year of £22 million. The biggest increase is in the Ordinary Life Section of the Account, particularly in the With Profit Contracts: this is largely due to the excellent rate of bonus which we were able to declare at the end of our quinquennium in December, 1954.

In our Group Life and Pensions Department we have written a record volume of business.

The Home Fire Account once more maintained its rate of steady growth and an excellent profit has again been made.

In the Home Accident Department trading conditions were difficult but in each of the four main sections of the account the claim ratio was lower than in 1954, the greatest improvement being in the large Motor Section.

The Continuous Disability Account has shown very good progress and the substantial contribution to profits made by this account and by the Sinking Fund Account give reason for satisfaction.

THE ECONOMIST, MAY 12, 1956

In our Overseas Branches the small profit made in some areas was completely overshadowed by the loss incurred in our large Fire Account in the USA and Canada. In the Accident Account the results were also disappointing largely due to a loss in the United States and in Australia.

Our Marine Account is not a large one but by sound underwriting it continues to make a useful contribution to the profits of the Office.

I should like to mention our subsidiary, Southern Industrial Trust, which offers a most useful service in the form of hire-purchase finance. In 1955 the trading conditions were particularly difficult but nevertheless a most satisfactory contribution to Group profits was made by the subsidiary.

The Budget proposal to exempt from tax that portion of each payment under a Purchased Life Annuity which represents a return of part of the original purchase price removes what has been a long-standing grievance.

The further proposal in the Budget to give limited relief of taxation to the self-employed who have to provide for their retirement is most welcome. This Office, in accordance with its traditional leadership in Annuity and Pension business, is ready to provide opportunities for taking full advantage of these new conditions.

The gross rate of interest earned on the whole of the funds of the Friends' Provident was £6 2s. 5d. per cent, and the net rate, after deduction of Income Tax, £5 4s. 4d. per cent.

The Funds of the Group now exceed £60 million and as an indication of the rapid growth of the Office it is interesting to reflect that the Funds have been doubled in the seven-year period since 1948.

AUTOMATIC TELEPHONE & ELECTRIC CO., LTD.

Annual Report & Accounts of the Group for the Year ended 31st December, 1955

PRINCIPAL FEATURES	1955	1954
Profit (after depreciation, etc.)	£ 1,271,629	£ 1,440,400
Taxation	486,262	628,877
Net Profit	785,367	811,523
Dividends	211,692	209,042
Retained in the Business for Research, Development, Expansion, etc.	573,675	602,481
Issued Capital	3,294,400	3,294,400
Reserves and Amounts set aside	6,431,097	6,063,864
Fixed Assets	1,735,461	1,518,088
Investments	487,119	491,308
Net Current Assets	7,502,917	7,348,868

The following is an extract from the Statement to Stockholders made by Sir Alexander Roger, K.C.I.E., Chairman:—

In 1955 the value of our sales was again the highest in the Company's history. Moreover, the value of unexecuted orders in hand is greater than it has ever been, and the manufacturing programmes budgeted for 1956 and 1957 show progressive increases. I am afraid, however, we must recognise that lower profit margins are almost inevitable because recent wage awards have tended to become more and more an annual feature in our economy, and have long since ceased to bear any direct relation to increased production.

The element of labour costs for the finished telephone product is unusually high, whilst its dependence on imported materials is very low. From a national point of view it thus represents an ideal type of export; but because of this high labour element we are affected sooner than most industries by the continually rising labour costs.

THE ECONOMIST, MAY 12, 1956

ELLIOTT BROTHERS (LONDON)

INCREASED PROFIT

The Thirty-ninth annual general meeting of Elliott Brothers (London) Limited will be held on May 31st in London.

The following is an extract from the statement by the Chairman, Mr R. E. F. de Trafford, O.B.E., for 1955:

The consolidated profit before taxation has risen from £222,878 in 1954 to £260,685 in 1955, and is a reflection of the expansion of turnover and increased efficiency. Our order book is now larger than ever before.

In automation developments we have had

the benefit of associations with leading American organisations

The Elliott 405 Electronic Digital Computer is the first British electronic computer capable of dealing rapidly with the large volume of information required in office applications and data processing (for which purposes it has been specially designed). This computer has aroused great interest at home, in the USA and on the Continent. We have secured a number of orders from leading British industrial users and public authorities. We continue to be entrusted with important projects for Government Departments and this work has expanded, particularly in aviation.

Our investment in Fixed Assets expanded considerably during the year and has resulted in a substantially larger Depreciation charge,

against which we have had the benefit of Investment Allowances. I would like to express my regret that the Chancellor withdrew these allowances. It is clear that home demand for certain categories of goods must be curbed at this time, but it is equally clear that this country cannot hope to maintain, let alone to increase, its ability to compete in export markets unless its industrial capital equipment is constantly kept up to date.

Your Directors recommend the payment of a final ordinary dividend of 12½ per cent, making 17½ per cent for the year, as compared with an effective rate of 16½ per cent for the previous year.

Although it is too early to gauge the level of profits for the year as a whole, it is your Board's expectation that the current year will be another period of progress.

Bayerische Hypotheken-und Wechsel-Bank

HEAD OFFICE MUNICH

Foreign Trade Bank

At the Ordinary General Meeting on April 19, 1956, it was agreed upon that for the business year 1955 a dividend of 11 per cent. will be distributed on the nominal ordinary share capital of DM 40,000,000, and a dividend of 2½ per cent. on the nominal ordinary share capital of DM 20,000,000—which was issued in the course of the 1955 capital increase and participating in dividend payments as from October 1, 1955.

Balance Sheet Total:

As at December 31, 1955: DM 2,531,209,662.02

Principal Items of the Annual Balance Sheet per December 31, 1955:

Capital Stock	DM 60,010,000.00
Reserve Funds	DM 28,000,000.00
Pension Funds	DM 53,083,967.00
Deposits	DM 1,263,196,533.56
including Savings Bank Deposits	DM 384,315,145.53
Debtors	DM 669,353,065.62
Long-Term Loans extended by the Mortgage Department	DM 689,490,056.02
Debentures	DM 785,911,656.50

Besides the Munich Head Office, the following Branch Offices are licensed Foreign Trade Banks:

Augsburg, Nuremberg, Ludwigshafen/Rh., Aschaffenburg, Bamberg, Frankenthal, Freilassing, Fürth i.B., Grünstadt, Hof (Saale), Kaiserslautern, Kaufbeuren, Kempten (Allgäu), Kitzingen, Kusel, Lindau (Bodensee), Lindenberg (Allgäu), Mannheim, Markt Oberdorf, Neustadt a.d. Weinstrasse, Neu-Ulm (Donau), Regensburg, Schweinfurt, Selb, Weiden (Oberpfalz), Würzburg, and our Grossmarkthalle Branch Office in Munich.

THE BOARD OF MANAGEMENT

Munich, April 1956.

MARIEVALE CONSOLIDATED MINES, LIMITED

TONNAGE MILLED A RECORD HIGHER PROFIT AND DIVIDEND

Mr C. B. Anderson, the Chairman of the Company, in addressing members at the Annual General Meeting held at Johannesburg on April 27, 1956, stated that in 1955 the tonnage milled rose by 57,000 tons to a record of 857,000 tons and as the yield improved slightly to 5.19 dwt. the output was 18,292 ounces higher at 222,186 ounces fine. As a result of the greater output, coupled with a small increase in the average price received for gold, the working revenue was nearly £250,000 higher at £2,792,065. Working costs were twopence per ton milled lower and absorbed £1,720,546, and the working profit was £1,071,519, an increase of £141,295 over the previous year. This satisfactory position was due largely to Native labour being in better supply than for some years. It should be noted, however, that 62 per cent of this increase in working profit was absorbed in taxation.

After providing £524,108 for taxation the net profit was £547,625 or £60,477 more than in 1954. Two dividends totalling 2s. 3d. per share, or 3d. more than in 1954, were declared, absorbing £506,250. After providing £47,389 for capital expenditure and an additional liability for European leave pay the unappropriated balance was reduced slightly to £482,749.

GENERAL ACCIDENT A HIGHLY SATISFACTORY ACHIEVEMENT

The seventieth annual general meeting of the General Accident, Fire and Life Assurance Corporation, Limited, will be held on May 30th at Perth.

The following is an extract from the circulated address by the Chairman, Sir Stanley Norie-Miller, Bt, MC, DL, JP:

The net income from all sources amounted to £50,025,848, an increase of little short of £3 million, which can be regarded as a highly satisfactory achievement.

Allocations to Underwriting Reserves absorb £650,000 and £500,000 has again been transferred to General Reserve.

The aggregate New Business retained by the Group amounted to £10,993,389 as compared with £7,150,955.

In the Accident and General Department, the premium income increased by close on £2 million to £41,137,257.

Success has again been achieved in the Fire Department. Premium income has increased and a profit of £578,098, well up to our usual high standard, has been earned.

Marine Department: The volume of business written shows a slight decrease at £529,142, and the Fund at £990,336 is considered adequate for all eventualities.

Total assets have increased by £5,448,526 to £85,427,614.

USA: A gratifying increase in premium volume was achieved. The greatest credit is due to our Management and Personnel for results which were decidedly better than average for the market as a whole.

DEVELOPMENT AND ORE RESERVE

The development footage driven during the year totalled 38,787 feet. Of the 16,770 feet developed on the Main Reef Horizon 11,600 feet were on reef, and sampling disclosed 6,840 feet or 59 per cent to be payable averaging 18.4 dwt over 14 inches, equivalent to 258 inch-dwt. 22,017 feet were driven on the Kimberley Reef Horizon and of the 16,930 feet on reef and sampled 6,165 feet or 36 per cent proved payable averaging 9.0 dwt over 25 inches, equivalent to 225 inch-dwt. There was a very satisfactory increase in the payable footage on the Kimberley Reef and the percentage payability also improved, but the average inch-dwt figure was somewhat lower.

The recalculated ore reserve increased by 500,000 tons to 4,500,000 tons averaging 5.4 dwt over an estimated stoping width of 47 inches. The value was 0.1 dwt lower but the width unchanged. Of this tonnage the Kimberley Reef accounted for 600,000 tons averaging 4.8 dwt over 47 inches.

TAXATION

In March of this year the Minister of Finance announced that he proposed to restore the Formula Tax to the 1950 level, and also to increase certain allowances. The effect of the proposed change in the Formula Tax would be to reduce the rate of taxation by just under 5 per cent as from January 1, 1956. This reduction, though comparatively small, and the other concessions to the Industry were most welcome.

SILICOSIS LEGISLATION

The Chairman also welcomed the recent announcement by the Minister of Mines that when silicosis benefits are increased by legislation which it is proposed to introduce this year the State will itself assume responsibility for the retrospective liabilities so created up to the extent of £10,900,000. The Industry would continue to carry the burden of providing for present and future liabilities in respect of silicosis compensation. It was difficult to predict, at this stage, the precise effect on the Industry of the increased benefits now proposed, since this depended on the number of cases certified by the Silicosis Medical Bureau, but the increase in the liability might well be a substantial one.

RESULTS IN FIRST QUARTER OF 1956

During the first quarter of 1956 the ore milled was 208,000 tons and the working profit £249,818. Development footage driven on the Main Reef Horizon was 3,611 feet of which 2,610 feet were on reef and sampled disclosing 1,630 feet or 62 per cent payable averaging 17.8 dwt over 16 inches, equivalent to 284 inch-dwt. On the Kimberley Reef Horizon 4,918 feet were driven and of the 3,765 feet on reef and sampled 775 feet or 21 per cent proved payable averaging 12.6 dwt over 25 inches, equivalent to 314 inch-dwt.

The motion for the adoption of the Reports and Accounts which was proposed by the Chairman and seconded by Mr P. S. Hammond was carried unanimously. The retiring Directors, Major General F. H. Theron and Messrs M. W. Richards and J. S. Walker, were re-elected.

BLAW KNOX LIMITED SATISFACTORY VOLUME OF ORDERS

The annual general meeting of Blaw Knox Limited was held on May 9th in London, Mr J. M. Wallace (the Chairman) presiding.

The following is an extract from his circulated statement: The trading profits for the year amount to £398,089. After making full provision for taxation and depreciation, disposable profits for the year are £171,122.

Despite severe competition your Company's business in all directions has held up remarkably well, the volume of orders on hand being most satisfactory.

In my last review I referred to the introduction of new products and the continuance of a vigorous development policy. Orders for these new products have been rewarding. Furthermore, we now have in the course of production additional new products of major importance which have created wide interest.

The past year has been notable for the sustained and constructive effort by our sales departments in expanding our markets both at home and overseas. At no previous time in the history of the Company has there been such cause for satisfaction in the quality and efficiency of products the Company is able to offer.

Efforts have been made to improve standards of production efficiency and progress has been made. As to the future, our efforts and hopes for the further expansion of our business and even its maintenance at its present level depend very largely on Government policy and the measures it may take to restore the country's weakened gold and dollar reserves.

The report was adopted and the total ordinary dividend of 30 per cent was approved.

ALBERT E. MALLANDAIN STEADY PROGRESS

The nineteenth annual general meeting of Albert E. Mallandain, Limited, was held on May 9th in London, Mr William Balleny, CA, Vice-Chairman, presiding. The following are extracts from his circulated review for the year 1955:

During the past year, the company's business has been not only maintained but indeed expanded. All sections of the business show better results due to increased turnover and productivity and rigorous control of overheads. Raw materials values have on an average been more stable during the past year. This has enabled us, while maintaining reasonable profit margins, to quote keener prices to our customers than might otherwise have been possible. The ratio of export to total trade has also been well maintained.

The aggregate net profit is £86,842 compared with £72,020 for 1954, an increase of £14,822. An analysis of the factors which have contributed to the increased net profit shows that, while sales increased by 14 per cent over the previous year, costs in materials wages and overheads, although greater in terms of money did not increase to the same extent. Your Board recommend the payment of a dividend of 25 per cent. This, approved, will be paid on the existing capital of the company, viz. £200,000, and is equivalent to a rate of 50 per cent on the formal capital before last year's bonus share issue.

The demand for our goods is well maintained as evidenced by the state of our order book and, despite rising costs we can look forward to a continuance of satisfactory trading results.

The report was adopted.

NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

A SATISFACTORY YEAR

The annual general meeting of The National Mutual Life Assurance Society was held on May 2nd in London, Mr Kenneth A. E. Moore, FCA (the chairman), presiding.

In his speech to the members the Chairman said that 1955 had been a most satisfactory year from the point of view of the policyholders in that the rate of bonus earned had been well up to the exceptionally favourable level of the last valuation and augured well for the next bonus declaration due at the end of this year.

ANTI-INFLATIONARY MEASURES

Mr Kenneth Moore went on to comment on the steps taken by the Government in an effort to stop, or at least to curb, inflation. As a result of these steps the rate of interest has risen substantially and the market price of fixed interest securities had fallen by approximately 15 per cent. The amount required to be written off the Society's Stock Exchange investments to reduce them to market values was less than 6 per cent of their book value and was comfortably

covered by the Reserve Fund of £1,775,000 previously built up out of appreciation and realised profits. After providing for this the Reserve Fund, as shown in the Balance Sheet, stands at the substantial figure of £1,192,000.

The Government's Budget proposals for tax relief on the premiums for pensions for self-employed fall short of the recommendations of the Millard Tucker Committee, and it is to be hoped that a number of points which would make the proposals fairer and more attractive to the individual will be pressed when the Bill reaches the Committee stage. The Society in the meantime is preparing to play its full part in meeting the demand for the new pensions, but nothing can, of course, be finalised until the exact scope of the terms and conditions of the new deferred annuity policies are finally settled by Parliament.

EFFECTS OF HIGH TAXATION

Returning to broader matters, Mr Kenneth Moore stressed that taxation remains at a deplorably high level, blunting incentive, warping the conduct of industrial, commercial and private affairs and adding to the general inflationary pressure. He went on to say that, what is sadly needed, is such a reduction in taxation as would restore incen-

"SOFINA"

MR C. K. WILMERS' REVIEW OF THE YEAR

IMPROVED RESULTS

At the Annual General Meeting of Shareholders of Société Financière de Transports et d'Entreprises Industrielles ("Sofina"), held in Brussels on April 26th, the Balance Sheet and Profit and Loss Account for the year ended December 31, 1955, as well as the appropriation of profits were approved.

The Balance of the Profit and Loss Account amounts to B.Frs. 118,398,905, against B.Frs. 121,450,028 for 1954, but earnings available for distribution show an increase of B.Frs. 10,836,638.

The dividend on each of the 630,000 Ordinary Shares was increased to 125 francs net for the year 1955 as against 110 francs net for the preceding year. It will be payable as from May 2, 1956.

MANAGING DIRECTOR'S COMMENTS

An address to the Meeting by Mr Charles K. Wilmers, Managing-Director, included the following comments:

"The Balance Sheet and Profit and Loss Account of our Company which are presented to you today, again show an improvement over the figures for the preceding year. Our liquid assets have increased during the year by 114.8 million frs. and the market and estimated value of our portfolio by 634.2 million frs., representing a total increase in value of 749 million frs., or 14 per cent compared with the figures at December 31, 1954.

May I add that I hope that the presentation which we have given to our accounts and the comments and analyses which we have made in the annual report which is before you, have been helpful in giving you a clearer understanding of the position of our company. It is our belief that confidence in the company and in its management can only be soundly based on a clear understanding of the facts and it is therefore our policy to give you the maximum of information which

can be of use to you in forming your own judgment of our affairs.

Coming now to our Profit and Loss Account, this shows an increase in distributable income, and although there is a decline in income which cannot be considered as distributable this is due almost entirely to a decrease in 1955 as compared with 1954 in an unrealised profit on shares distributed as dividends to us by two of our American subsidiary companies.

Despite the improvement in the results to which I have just referred, which has enabled the Board to propose to you to increase the dividend by 15 fr. per share, much remains to be done to improve the net yield to our shareholders from our total assets. I am certain that I need not repeat my assurance that all steps which can be taken by us will be taken with this end in view, provided always that they can be reconciled with our obligation to defend all the interests entrusted to us by our affiliated companies and that they do not lead us to neglect long-term growth possibilities in favour of immediate yield.

I have referred first to our obligations towards our affiliated companies because, as you remember, we touched upon this question last year when I had occasion to remind you of the considerable services which our Company has continued to render, not only for the defence of the interests in Spain of an affiliated company, but also to aid our affiliated companies operating in Argentina. As I stated then these services have remained without remuneration for a long period of time, with the consequence that our remuneration for technical and management services is somewhat out of proportion with the expense which they involve. You will agree with me, however, that it would not only be a neglect of our duty but also a shortsighted policy, which only those who do not wish us well would recommend, to abandon these interests and not to make

tive and make possible permanent savings in the best Victorian sense. It would enable the individual to invest during his working life in anything which he thought fit, including the provision of risk capital in his own or any other business. It would be wonderful to see individual savings linked once again with individual investment.

It went without saying that all financial institutions were most anxious to support any effective steps taken by the Government in the fight against inflation. Their only wish was for more courageous action to be taken than had been forthcoming so far.

For a Life Assurance Company in particular the maintenance of a stable currency is vitally important. The members of the National Mutual and all who work for it—and indeed the whole world of Life Assurance—can take comfort in the fact that the very essence of Life Assurance is in the collection of savings in the form of premiums and their investment for long periods in some useful and productive form as a protection to the policyholder and his dependants.

The Chairman concluded by expressing his thanks to the management, officials and staff for their work during an unusually busy year.

The report and accounts were adopted.

ARGENTINA

As far as Argentina is concerned, it has been traditionally a country with which Belgium has traded on a large scale and in the economic development of which Belgians have played an important and constructive part. After a long period of disappointments and restrictions in the economic field, Argentina has found a government which appears anxious to free the country's economy and to seek to work in fruitful co-operation with other countries. The steps which have already been taken to liberate the exchange and the recent announcement of Argentina's entry into the International Monetary Fund and its application to become a member in the World Bank have been received with great satisfaction by its friends abroad. As you know, Argentina's capital requirements over the next few years will be very great. It has been estimated in Argentina that the funds needed from foreign sources alone over the next three or four years will be between 1,200 million and 2,000 million US dollars. One of the most essential and basic needs is a sufficient power supply. There can be no doubt that co-operation with the electricity companies now operating in Argentina is the surest, most rapid and most economical way of solving at least a most important part of this problem. Belgium will, I believe, be interested not only in renewing its trade with Argentina, its friend of long standing, but also in playing a part in assisting in the broad investment programme required, provided a sound and equitable basis can be found to achieve this objective, one which fully respects the effort and investment already made.

You may be interested to hear that I returned this week from a mission to Argentina, jointly with representatives of other large shareholders of our principal under-

taking there. The mission held high-level conversations in a frank and cordial atmosphere. As you have doubtless read in the Press a consultative commission, composed of members of the political parties in Argentina, has been studying the question of electricity. Its majority has apparently made a recommendation that the two principal companies, CADE and ITALO, should be expropriated. The Government, on the other hand, according to a recent statement, is making its own complete study of the situation and will publish its recommendations in due course. Discussions with the Argentine authorities are continuing on a technical level, and before leaving Buenos Aires I gave an assurance that I would be ready to return, probably with other members of the recent mission, whenever this might be considered opportune.

BARCELONA TRACTION

As far as the interests of Barcelona Traction in Spain are concerned, you and the shareholders of Sidro have been kept informed of developments by our annual reports and various communications made to the Press. A few weeks ago a shareholders' meeting of "Fuerzas Eléctricas de Cataluña" was held in Barcelona. Considerable publicity was given to this meeting in the Spanish Press and the headlines included such statements as "A brilliant Year and great Prospects for the Future" and "Solid financial Position of the Company." May I remind you first that this is the company which purports to have acquired, in circumstances with which you are only too familiar, the assets of Barcelona Traction's subsidiary companies. The figures made public on the occasion of this shareholders' meeting are indeed interesting. The net profit is stated to be 290 million pesetas without taking into account various subsidies to be received from the Government in application of new tariff regulations and which are stated to amount to 174 million pesetas. Furthermore, provisions for amortisation, depreciation and contingencies in an amount of 221 million pesetas have been made. These figures appear to show that the net receipts of the group exceeded 600 million pesetas. We had previously made calculations which estimated the net receipts at only 460 million pesetas, and these by comparison with the value attributed to other electricity companies in Spain by the Spanish Stock Exchanges, would already have given a value of 10,000 million pesetas to the undertaking. After deducting the debts and taking into account the fact that the Belgian interest in the equity, directly or indirectly amounts to approximately 80 per cent, we obtain a figure of 7,000 million pesetas for this interest.

Our decision to persevere in our efforts to defend and recover these assets has not changed over the years. I think I cannot do better, if you permit, than to quote a few of the things which I said to the shareholders of Sidro at their meeting of October 7, 1952:

"That any man of honour, any business man, should seek to deprive his neighbour of his property without compensation seems strange to us, stranger still perhaps that he should attempt to do so in order to increase a legitimate profit of 70 per cent to an unjustified and unjustifiable one of 480 or 930 per cent."

The only modification that would have to be made at this point is in the percentage of profit which the man to whom I referred proposes to make and which becomes much higher than I had foreseen in 1952. I went on to say at the time:

"The social obligations of capital are almost universally recognised and acknowledged today, in no field more clearly than

in the basic industry of production and distribution of electricity."

The attitude of the owners of FECSA seems to me to be in strange contrast with these obligations.

Finally, I concluded with the following remarks:

"Your Board has a public duty to thousands of shareholders, and it will continue to defend their large interest in Barcelona Traction before the courts of Spain and elsewhere. We do not dispute the claims of the bond-holders. If they in turn will cease to dispute our rights and our investment the way will indeed be open for the Barcelona affair to end.

"In continuing to strive for an equitable settlement we base our confidence in success on the merits of our case, on the belief that justice will be done and on what we are sure is your continued willingness to agree to any reasonable solution. In this conviction we shall not cease to carry our appeal to men of good will wherever they be."

I know your great interest in this matter. The words which I have taken the liberty of recalling remain apt. I do not believe that there is anything further that I should add today.

INVESTMENT YIELD

A few words now about the yield on our investments. We discussed last year the fact that the market price of many of them discounts an improvement in yield which will take place in the future. This, as you know, is particularly true of the natural gas stocks in the United States which, as you have seen from the analysis of our assets given in this year's report, represent in value 24.2 per cent of our total portfolio. If in the past we had concentrated only on the purchase of stocks producing a high immediate yield it is unlikely that we would have been able to increase the value of our assets as we have done in recent years. The fruits of this increase in value must, of course, ultimately be reflected in higher earnings and dividends. The present net yield on the portfolio shown in the analysis of our assets is approximately 2.5 per cent of the market value and 6.6 per cent of the book value. It is interesting to note that approximately 1,000 million francs in value of this portfolio produced no income whatsoever. This figure is made up to a large extent of our investment in Sidro and our investments in Argentina. If we deduct this sum from the total value of the portfolio the net yield on the remaining holdings rises to approximately 3 per cent. Consequently if this 1,000 million frs. were to produce only the same yield as the balance of the portfolio our income would be increased by approximately 30 million frs. There is another factor that affects the net yield on our portfolio, namely the general expenses of certain of our subsidiary companies which influence the dividends which they are able to pay to us. As you will have seen from comments in our report with reference to two of our American subsidiaries, reductions in expenses have already been made and steps have been taken to reduce even more substantially this year's expenses of these and other subsidiary companies. These steps are a result not only of economies in operation of the subsidiaries but also of a greater concentration of activities in Brussels. This may conceivably entail some increase in the expenses of our own company but these will be much more than offset by the increased dividends resulting from economies elsewhere. I can therefore say to you with confidence that our earnings for 1956 should show a substantial improvement over the figures for last year.

ALLIANCE ASSURANCE

A SATISFACTORY YEAR

The annual general meeting of the Alliance Assurance Company Limited will be held on June 6th in London.

The following is an extract from the Review of the report and accounts for the year 1955 by the Chairman, Mr T. D. Barclay:

The Company had a satisfactory year in 1955 resulting in a further increase both in premium income and net profit. The total premiums in the Fire, Accident and Marine Departments have increased from £14,301,704 to £15,629,620.

The total underwriting surplus from these three Departments rose from £1,533,389 to £1,642,058 in spite of the substantial additional provisions for unexpired liabilities arising from the increase in premium income.

DEPARTMENTAL RESULTS

Life Department.—The net new sums assured completed during the year amounted to £10,240,898 compared with £10,077,720 in the previous year.

Towards the end of the year many of the Company's rates of premium were reduced to give effect to the improving trend of mortality and the higher interest rates now obtainable.

These two factors have been further recognised by the decision taken earlier this year to increase the rate of interim bonus on With Profits Policies from 36s. per cent to 40s. per cent compound.

Fire Department.—The net premiums in this Department rose from £6,214,273 to £6,812,777 while the claims were £2,519,083 as compared with £2,466,077.

Marine Department.—The net premium income was £2,170,140 as compared with £2,159,164 in 1954 showing a slight increase for the first time for two years.

The Underwriting Account for 1953 has now been closed with a balance of £474,456. Of this amount £243,011 was required to settle claims arising from previous years' Accounts leaving £231,445 as against £125,595 available for transfer to the Profit and Loss Account.

Accident Department.—The net premiums in the Accident Department for the "Alliance" Group amounted to £6,646,703 compared with £5,928,267 in 1954. The claims also show a substantial increase at £3,170,543 as against £2,703,133 in 1954 and the surplus, after providing for unexpired risks, was £541,216; the corresponding figure in 1954 was £649,547.

Trustee Department.—The total fees received during 1955 amounted to £26,771 which represents a small increase over the previous year.

PROFIT AND LOSS ACCOUNT

The profit of the Group, after making provision for taxation and other outgoings, amounted to £1,458,625 as compared with £1,335,298 in 1954.

As you are aware, the Board has decided to declare a final dividend at the rate of 4s. 6d. per share, making 3s. 6d. per share for the year.

In conclusion, I must record, on behalf of the Directors, our thanks to the Chairman, Manager, his Deputy and Assistants and to the Departmental and Branch Managers and Staff throughout the Company's service.

THE NORTHERN ASSURANCE COMPANY LIMITED

FIRE AND ACCIDENT PREMIUMS INCREASED BY OVER £1,700,000

ALL-TIME RECORD NEW LIFE BUSINESS

The one hundred and twentieth Annual General Meeting of The Northern Assurance Company Limited will be held on May 30th in Aberdeen.

The following is an extract from the Statement by the Chairman, The Right Honourable Lord Glenconner, which has been circulated with the Report and Accounts:

Encouraged by the success of our regional offices in Scotland and in the North of England, which have rapidly established their value, we are taking further steps to extend our regional organisation at home. Plans are now in hand to set up a third regional office to serve the Midlands. It will concentrate on the development of engineering insurance and pension business, and the connections of the group in that highly industrialised area will find it ready with specialist service for the settlement of accident claims.

We have proceeded with the appointment of further inspectors to give service to our agents in overseas territories. It is important to provide the best assistance for these valuable connections, for the Northern's business in many overseas markets depends greatly on their knowledge and goodwill. Particularly encouraging progress is being made in engineering insurance abroad and also at home.

The name of the Northern has in recent months been reaching the new television public. We do not expect from this, or indeed from our now familiar newspaper advertising, any attributable or direct increase in our business, but we are satisfied that the Northern should be made more widely known among the insuring public and that its name should come readily to the minds of all who have questions about insurance and seek expert advice. They will find that the Northern and its associated companies stand ready to provide a service unexcelled throughout the British insurance industry.

LIFE DEPARTMENT

Indeed, the continued advance of the Northern Group rests on its high reputation for service in all departments of its business, and this is the explanation for last year's all-time record for life assurances placed with the Northern Group as a whole. Our new life sums assured reached £26,908,597, compared with £23,495,389 in 1954. This increase of 14 per cent is most gratifying, because it shows that the very great increase that we secured in 1954 (when the figures included a new assurance scheme for a large industrial concern) was no temporary phenomenon. We are now handling a volume of new life assurance business nearly four times what it was only five years ago. This rate of progress deserves all praise, and all branches handling life business have contributed towards it. But I should like to mention in particular that three of our provincial branches each obtained more than £1 million of new life assurances last year, for the first time in the company's history. The result is that the Northern Group is among the top twelve of British assurance offices reckoned by the annual amount of new life business written.

PENSIONS DEPARTMENT

Our pensions department continues to make a growing contribution to the progress of life business. It has demonstrated its

ability to handle a rapidly growing volume of business and to design pensions schemes that can meet the widely varying requirements of employers of all kinds. The Northern's reputation in pensions business stands high and we can confidently expect that our ingenious pensions department will add further laurels to its already excellent record.

Pensions business is not confined to the United Kingdom. In South Africa, where last year new life sums assured were more than double those of 1954, the pensions department is also making a most effective contribution to the figures. Our new Central African Branch, centred on Salisbury, is beginning to obtain a satisfactory volume of life assurance; it has been operating for only a short time and we have every hope that its promising start will in time enable it to compare favourably in achievement with our long-established branches.

FIRE AND ACCIDENT DEPARTMENTS

The overall business of the Northern and its associates in general insurance has passed one significant milestone and is in sight of another. Fire premiums increased from £9,503,981 to £10,038,597, while accident premiums at £9,999,071, compared with £8,772,484 in 1954, failed by only a few hundred pounds to reach £10 million. In terms of the volume of general insurance business that the Northern Group has been able to attract, there is no ground for complaint in such figures. It is, however, a different story in terms of underwriting profit. This is partly due to our own conservatism, for the Northern has always set aside 50 per cent of the year's premiums to cover unexpired risks, and the bigger the increase of premiums in any year the bigger are these reserves to be set against them. But we, in common with other underwriters, had another costly year in the United States, which yet again suffered a succession of windstorms, hurricanes and floods. The result was that operations in the United States were unprofitable. Elsewhere the experience of the fire department was good, and the account as a whole has yielded a profit of £290,589, compared with £150,019 in 1954. In the circumstances, this is a satisfactory result which reflects great credit on our fire underwriters.

Unfortunately, the out-turn of the accident account was less favourable and shows a loss of £151,596 compared with a profit in 1954 of £184,839. This result is due partly to the rising premium income with the consequent increase in the unexpired risks provision and partly to the weight of claims. Motor business bears the major responsibility and the proper relation between an economic level of premiums and the mounting cost of claims has yet to be found.

MARINE DEPARTMENT

Net premiums obtained by the marine department last year were again a little lower. Competition for business, both at home and in overseas markets, has exerted pressure on hull and cargo rates. At home, indeed, the capacity of the market has continued to expand more rapidly than the volume of marine insurance business to be transacted. The Joint Hull Agreement, however, has imposed a measure of stability in that branch

PROFIT AND LOSS ACCOUNT

The transfers to profit and loss account from the fire, accident and marine accounts set out above total £390,139, compared with £646,526 in 1954. On the other hand, the gross income from investments held in the shareholders' non-life funds has again sharply increased, from £1,015,643 to £1,204,051. This is in part a reflection of the growth of funds—due to the expansion of premium income and thus of unexpired risks reserves—and the Northern Group's gross profit (including other items) amounts to £1,524,625 against £1,693,957. Taxation at home and abroad is lighter, at £868,767 against £1,077,287, though it still absorbs well over half of our earnings. The Group's net profit thus shows a modest improvement from £616,670 in 1954 to £655,858 in the latest year, and we propose to allocate £210,000 of this profit to the investment and contingency reserve.

It is a general practice in British insurance to relate shareholders' dividends to the income earned on the investments in the shareholders' non-life funds. After providing for British income tax, the net investment income of these funds amounted last year to £705,003, showing a further considerable increase of £133,213, or 23 per cent, over the 1954 total of £571,790. A final dividend of 14s. on the ordinary shares makes a total of 24s. for the year, as compared with 22s. last year. If the final dividend is approved, a further dividend of 13s. 5.194d. per share will be payable on the participating preference shares which will be distributed with the half-yearly dividend due on July 1st next.

INVESTMENTS

Lastly I would like to refer to the effect of the impact of the Government's stiffer monetary policy on our investment holdings. As a measure of what investors have had to face, I may quote the Actuaries' Investment Index which calculates the fall in 2½ per cent Consols last year at 14.4 per cent, while industrial debentures fell by 17.3 per cent and preference shares by 16.3 per cent. Only in ordinary shares was there a net improvement, and this was limited to 1.6 per cent.

The book values of our Stock Exchange securities have shown a further considerable expansion from £44,313,268 to £48,244,539, and despite the heavy falls in the market there is a surplus in the market value of our holdings compared with their book values. In addition, I am glad to say that with the transfer that we propose out of the 1955 earnings the Northern Group's Investment and Contingency Reserves now stand at £3,040,003 compared with £2,504,284 at the end of 1954.

Taken as a whole, you will agree, I feel sure, that the Northern Group has made in 1955 further solid progress.

COMMERCIAL UNION ASSURANCE

PROFITABLE OPERATION AND CONTINUED PROGRESS

The annual general meeting of the Commercial Union Assurance Company, Limited, will be held on May 28th in London.

The following is an extract from the circulated statement by the chairman, Lieutenant Colonel John Leslie, DSO, MC, DL.

The Group has enjoyed another year of profitable operation, and I am pleased to report that continued progress has been made in practically every part of the world in which we operate. During 1955 the total net premium income through the Fire, Accident and Marine Departments exceeded £54 million, which is a record figure, and the total of new sums assured in our Life Department was the highest yet achieved.

Ten full years have now elapsed since the conclusion of the second world war, but many of the problems caused by the war remain with us. Several and far-reaching changes of an international and political nature are still taking place in many parts of the world, and a process of readjustment is therefore likely to continue for some considerable time. However, in spite of these vicissitudes, the general level of industrial and commercial activity was well maintained in 1955, both at home and overseas, and through the wide range of our organisation we were able to take full advantage of the various opportunities for promoting and enlarging our own business.

FIRE DEPARTMENT

At home our premium income is still growing, the rate of increase being greater than in recent years. This increase is due in large measure to an expansion in our business, but it also reflects the general rise in prices and an increase in stocks and materials held by industry. Fire damage continues to take a high toll of the national wealth, and although there has been a rise in the number of major fires during the year, our loss ratio has not proved unsatisfactory. We deal each year with a large number of claims arising from bad weather conditions, and there is an increasing demand for the inclusion of such extraneous perils with the Fire policy.

In the overseas field, whence we continue to derive the larger part of our Fire premiums, the incidence of fire damage in 1955 shows, unfortunately, an increase over the previous year, whilst the destruction of property caused by windstorm, earthquake and analogous perils has continued at a high level.

The year 1955 did not bring any marked change in economic conditions, although there was a fall in world prices of some basic commodities. Nevertheless, in spite of these factors, we are able to record further advances in our premium income in most of the territories in which we operate, notably in the United States, Australia and South Africa.

ACCIDENT DEPARTMENT

Home business again showed further expansion and the rate of progress quickened. To an extent, however, this satisfactory feature has an inflationary content, owing to the general rise in wages and the price level of goods.

The ever-increasing number of accidents on the roads and their costly consequences continue as a vital national problem. The most regrettable feature is that no real solu-

tion seems to be in prospect, in spite of efforts made in many directions; this is indeed a grave indictment of the age in which we live.

The Miscellaneous classes of Accident business again showed further advancement, with generally satisfactory results.

In the United States of America 1955 was a year of vigorous business activity. In this favourable economic climate there was a further advance in the revenue of Casualty insurers, although to some extent expansion was restrained by the intensified competition which I mentioned last year, as well as by rate reductions in some classes of business.

The profit from our American business as a whole was satisfactory, but it was lower than in the preceding year because of a deterioration in the Automobile underwriting experience. This is likely to continue, since there were some rate reductions in 1955, but no sign of any diminution in the number or severity of road accidents. Classes other than Motor produced satisfactory results.

MARINE DEPARTMENT

In the Marine market 1955 was an uneventful year and, although the number of reported casualties to vessels showed a slight increase on the previous year, no vessel over 10,500 gross registered tons was reported a total loss.

Keen competition for cargo business caused further reductions in rating, and, when the cushion of the war risk premium is removed, little or no profit is left; however, towards the end of the year there were signs that the market was taking the first steps to bring about some improvement by restricting cover under the Extended Cover Clause to sixty days after discharge from the overseas vessel.

LIFE DEPARTMENT

Continued progress was evidenced in the Life Department, and once again there was a record figure for the net sums assured retained at the Company's own risk after deducting sums reassured. The gross sums assured were actually £23,392,358, compared with £21,135,333 for the previous year. Most companies shared in our experience during 1955, but we are gratified to know that our 12 per cent rate of expansion was up to the average.

During the year the Life Fund increased by £3,360,936 to £53,490,132, and, in spite of a fall in the value of fixed interest bearing securities, the aggregate market values on December 31, 1955, exceeded the aggregate net book values by a reasonable margin. This happy position was due in the main to the Directors' decision some years ago to increase the proportion of the Fund invested in Ordinary Shares, which have considerably appreciated in value and increased the yield on the Fund. The average earned rate of interest was £3 15s. 3d. per cent net, an increase of 2s. 3d. per cent on the previous year's figure, and, having regard to the higher yields now obtainable on new investments, this trend will continue, with its consequent effect on the interest profits and eventual bonus on "with profit" policies.

The Directors recommend a final dividend of 2s. 2d. per 5s. Unit of Stock, making, with the interim dividend of 1s. 6d. paid in November last, a total for the year of 3s. 8d. per 5s. Unit, compared with 3s. 4d. for 1954.

THE MANGANESE BRONZE AND BRASS COMPANY

A YEAR OF EXCELLENT PROGRESS

The fifty-seventh ordinary annual general meeting of The Manganese Bronze and Brass Company, Limited was held on May 4th in London, Mr J. C. Colquhoun, MBE, Chairman and Managing Director, presiding.

The following is an extract from his circulated statement:

The year 1955 was again one of excellent progress with a volume of business and profit both up on the previous best year of 1952.

The profit for the year ended December 31, 1955, before providing for taxation and dividends, amounts to £485,254. That is after deducting a loss of £19,272 attributable to your Canadian subsidiary. The corresponding profit figure for 1954 was £381,463.

Provision for taxation requires £266,000 (£217,000), leaving available for distribution £219,254, against £164,463 for 1954.

In the course of his review of the changes in the balance sheet, the Chairman referred to the Subsidiary Company and said: "This refers to Paxol Limited, your recently formed subsidiary Company in Canada in which your Company holds a two-thirds interest. As I mentioned last year, output must reach a certain level before profits commence. That point was all but reached in December, and the rate of increase in monthly sales, particularly from June to December, coupled with a further survey of the potential market, indicate a promising outlook for what is a new industry in Canada."

Birkenhead Works: "The output of ships' propellers in 1955 was somewhat below the figures reached in recent years, but the inflow of orders increased during the year and the amount of work in hand today is very satisfactory. Of the total tonnage manufactured no less than 80 per cent was to our own Scimitar design, which shows the general appreciation of the design service which your Company offers. A feature of present-day orders is the high proportion specifying Nikalium."

On the equipment side, an item of special interest is an electric melting furnace. Its first year's working has just been completed successfully and has proved its superiority over other types, particularly as regards the quality of the resulting products.

Handford Works, Ipswich: "The output of extruded and rolled products during 1955 was some 20 per cent higher than for 1954 in tonnage and owing to the high metal prices prevailing the sales value was up 40 per cent. Despite recent indications of a recession the year ended strongly with a substantial order book."

Elton Park Works, Ipswich: "The sales of 'Oilite' products increased by 10 per cent in volume during the year and the value was up by no less than 30 per cent."

The production of machine parts in iron and iron-alloys continues to increase and, in fact, the output of such materials was double that of 1954.

In regard to the prospects for 1956, the marine side of your business is well booked up for the next 12 months. There are outward indications that a recession in certain trades may influence the volume of business at your Ipswich factories in the latter part of this year, but to what extent, if at all, that will happen it is impossible to predict with any degree of certainty.

The report was adopted, and the total dividend of 1s. 3d. per share was approved.

THE GROOTVLEI PROPRIETARY MINES, LIMITED

HIGHER TONNAGE MILLED

ENCOURAGING DEVELOPMENT RESULTS

Mr T. P. Stratten, the Chairman of the Company, in addressing members at the Annual General Meeting held at Johannesburg on April 26, 1956, stated that in 1955 the ore milled was 2,322,000 tons or 137,000 tons more than in the previous year. The yield improved slightly to 4.34 dwt per ton, the average price received for gold was 1s. 6d. per ounce fine higher than in 1954 and, due to the higher tonnage milled, working costs fell by 3d. per ton milled. As a result of these favourable factors the working profit in 1955 at £2,965,482 showed an increase of £332,761, of which, however, £202,127 was absorbed in taxation.

After providing £1,574,438 for taxation the net profit was £1,411,888. Two dividends totalling 2s. 5d. per unit of stock, being 4d. more than in 1954, were declared, absorbing £1,382,190. The carry forward was slightly increased to £660,236.

DEVELOPMENT AND ORE RESERVE

A total of 24,123 feet was developed on the Main Reef Horizon and, of the 17,630 feet

on reef and sampled, 8,510 feet or 48 per cent proved payable with an average value of 14.2 dwt over 15 inches, equivalent to 213 inch-dwt. In the two exploratory headings being advanced by Daggafontein Mines, Limited, on the Kimberley Reef Horizon in the Company's property, 2,880 feet of development was done during the year and the 2,200 feet on reef and sample disclosed 1,445 feet or 66 per cent payable, averaging 55.3 dwt over 7 inches, equivalent to 387 inch-dwt. These results could be regarded as encouraging, though much more development would have to be carried out before it could be judged whether the Kimberley Reef was likely to become a worthwhile additional source of ore.

While the ore reserve decreased by 500,000 tons it remained at the very substantial figure of 15,500,000 tons, averaging 4.6 dwt. over an estimated stopping width of 47 inches. The value was unchanged from the previous year, but the width was half an inch less.

TAXATION

The effect of the proposed change in the Formula Tax would be to reduce the rate of taxation by just under 5 per cent as from January 1, 1956. This reduction, though comparatively small, and the other concessions to the Industry, were most welcome.

SILICOSIS LEGISLATION

The Chairman also welcomed the recent announcement by the Minister of Mines that

when silicosis benefits are increased by legislation which it is proposed to introduce this year the State will itself assume responsibility for the retrospective liabilities so created up to the extent of £10,900,000. The Industry would continue to carry the burden of providing for present and future liabilities in respect of silicosis compensation. It was difficult to predict, at this stage, the precise effect on the Industry of the increased benefits, since this depended on the number of cases certified by the Silicosis Medical Bureau, but the increase in the liability might well be a substantial one.

RESULTS IN FIRST QUARTER OF 1956

During the first quarter of 1956 the ore milled was 565,000 tons and the working profit £668,289. 6,481 feet were driven on Main Reef, of which 4,565 feet were on reef and sampled, disclosing 2,225 feet or 49 per cent payable, averaging 14.2 dwt. over 17 inches, equivalent to 241 inch-dwt. On the Kimberley Reef Horizon 1,207 feet were driven, and of the 1,075 feet on reef and sampled 160 feet or 15 per cent was payable, averaging 29.3 dwt. over 4 inches, equivalent to 117 inch-dwt. From No. 3 Shaft an exploratory heading will be driven on the same Horizon to join the development from Daggafontein Mines Limited.

The motion for the adoption of the Reports and Accounts which was proposed by the Chairman and seconded by Mr H. C. Koth was carried unanimously. The retiring Directors, Messrs I. W. Gwynne-Evans and T. P. Stratten, were re-elected.

RAND MINES, LIMITED

IMPROVED RESULTS

MR W. M. FRAMES' STATEMENT

The Sixty-first Annual Meeting of Shareholders will be held in Johannesburg on May 11, 1956. The following is an extract from the circulated statement by the Chairman, Mr W. M. Frames, dated May 4, 1956:

FINANCIAL RESULTS AND INVESTMENTS

The profit for the year, after taxation, amounted to £650,300, which was £6,900 more than for the previous year.

During the latter half of the year the Company added materially to its investment portfolio by acquiring securities to the value of £1,349,000. About half of these new investments are dividend paying and the bulk of the remainder is expected to become revenue producing at an early date. A sum of £1,500,000 was transferred to Investment Reserve from accumulated profits, and after allowing for these transactions and for dividends declared during the year totalling £618,400, equal to 5s. 9d. per share, the Profit and Loss Account balance was reduced by £1,468,000 to £414,600.

At the end of the year the market value of the Company's quoted investments, which stood in the books at £7,472,000, was £10,738,500; in addition, the Company had nearly a million pounds in cash assets, after providing for all current liabilities. Approximately 67 per cent of the Company's investments is revenue producing. A substantial proportion of the remaining 32 per cent is represented by the Company's direct and indirect interest in Harmony Gold Mining Company Limited which it is hoped will

reach the dividend-paying stage in the comparatively near future.

GOLD MINING INTERESTS

Owing mainly to the expansion of gold mining operations and the commencement of uranium production at the Harmony Mine, the overall results of operations at the mines of the Central Mining-Rand Mines Group on the Witwatersrand and extensions and in the Orange Free State showed improvements by comparison with the figures for the previous year. Tonnes milled increased by 794,500 tons, the average yield was 0.167 dwt. higher, 303,800 more ounces of fine gold were produced, and the price received for gold, excluding certain additional revenue in respect of gold sales for the period March/July, 1955, was higher by 1s. 5d. an ounce. Although working costs increased by 1s. 6d. per ton milled, working profits from gold and uranium increased by £1,936,000 to £12,230,000. The increase in working profits was accounted for almost entirely by the expansion of operations at the Harmony Mine which, as I have already stated, has not yet reached the dividend-paying stage. Total dividends and repayments of capital for the year decreased by £261,500. Tax and lease consideration increased by £527,700, and uranium loan repayments, including interest, rose by £244,100.

Development footage increased by 25,500 feet to 410,400 feet, the footage sampled being greater by 8,600 feet. Estimated available ore reserves decreased by 2,431,100 tons to 34,407,600 tons.

COAL MINING INTERESTS

It was possible to increase despatches from both Witbank Colliery and Van Dyks Drift

Colliery because of a material increase in road transportation and of some improvement in the railway transport position. Railway facilities were, however, still inadequate to handle the country's increasing coal requirements. Towards the end of the year, Transvaal and Orange Free State producers received the benefit of increased prices. Since July, 1952, when the previous price adjustment was made for the benefit of producers, there has not only been a general upward trend in costs throughout the country which has adversely affected the industry's level of working expenditure, but in addition the remunerative export trade has, since January, 1955, been suspended due to the necessity of utilising the available truck supplies to meet the demand of internal consumers. The recent price adjustment will bring a welcome measure of relief to coal producers, whose profit margins had reached a level incommensurate with the large investment necessary to establish and maintain colliery operations.

INDUSTRIAL INTERESTS

The Pretoria Portland Cement Company had a satisfactory year. This Company is now considering plans for financing its programme of capital expenditure. The Eastern Province Cement Company increased its production and profits. The Cape Portland Cement Company also increased its production and had a satisfactory year. The Premier Portland Cement Company (Rhodesia) completed the erection of a fourth kiln, thereby materially increasing productive capacity; it also acquired interests in and assumed responsibility for the management of the Northern Rhodesia Lime Company Limited and Chilanga Cement Limited.

The Hume Pipe Company had a successful year, and operations at the steel and the concrete divisions were satisfactorily maintained; but, due to more competitive trading conditions and to the larger provision for depreciation of fixed assets, the net profit was less than in the previous year.

The Northern Lime Company decided to expand its new works at Silver Streams by the installation of two further rotary kilns with ancillary equipment. Construction and production operations at this work were generally satisfactory, but, due to a substantial and sustained increase in the demand for lime and limestone, the Taung works was required to operate during the year in excess of the economic output of its quarries.

The Timber and Forestry Companies of the Group maintained satisfactory trading operations. At the SA Forest Investment Company's plantations in the Sabie area there were exceptionally heavy rains during the year which made for good planting conditions, but hampered exploitation operations. Investigations are continuing in connection with the possibility of manufacturing newsprint from the small-size timber grown in the area and the desirability or otherwise of integrating a newsprint project with a centralised sawmill at Sabie.

In conclusion, I would like to record my appreciation to the technical and administrative staffs at Head Office, to the Managers, staffs and employees of all our Companies, and to our London Secretaries, A. Moir and Company, for the loyal and able services rendered by them in their various capacities throughout the year.

A report of the proceedings at the Annual Meeting will be available on request to the London Secretaries, A. Moir and Company, 4 London Wall Buildings, E.C.2.

ST. HELENA GOLD MINES, LIMITED

SUBSTANTIALLY IMPROVED RESULTS

DECLARATION OF MAIDEN DIVIDEND

MR J. S. WALKER ON YEAR OF GRATIFYING PROGRESS

Mr J. S. Walker, the Chairman of the Company, in addressing members at the Annual General Meeting held at Johannesburg on April 27, 1956, stated that in 1955 the tonnage milled increased by 197,000 tons to 1,238,000 tons, the yield improved by 0.82 dwt. to 5.34 dwt per ton and the average price received for gold was 1s. 6d. per ounce fine higher than in the previous year. As a result of these favourable factors the working revenue at £4,155,300 was £1,218,889 higher than in 1954. While the cost of labour and stores continued to rise the increasing scale of operations enabled the cost per ton milled to be reduced by 1s. 2d. to 40s. 8d. per ton milled. The working profit for the year at £1,640,318 was more than double that for 1954. He felt sure that members would agree that all personnel on the Mine were to be congratulated on the progress made last year.

He stated that after taking into account the items detailed in the Profit and Loss Account the profit for the year was £1,585,052 making with last year's unappropriated balance of £648,902 a total of £2,233,954 available for appropriation. Capital expenditure amounted to £1,489,377 and after allowing for other appropriations totalling £61,589 the balance carried forward was £682,988.

DEVELOPMENT AND ORE RESERVE

The total development footage driven during the year was 48,340 feet and of the 17,850 feet on Basal Reef and sampled 9,975 feet or 56 per cent proved payable having an average value of 12 dwt over 32 inches, equivalent to 384 inch-dwt. While the payable footage was somewhat less than in the previous year it was sufficient to increase the ore reserves by 250,000 tons to 3 million tons. The value was 0.1 dwt higher at 6 dwt and the estimated stoping width was unchanged at 55 inches.

IMPROVED YIELD

There had been a gratifying improvement month by month in the yield from 4.82 dwt in January, 1955, to 5.75 dwt last December. This improvement was to be expected as the mine settled down but it had been helped by increased sorting of waste underground and by the contribution of tonnage from the Northern section of the mine where, as he mentioned last year, good development results were being obtained.

EXPANSION PROGRAMME

As part of the programme of expanding operations to a scale appropriate to the Company's large lease area the capacity of the Reduction Plant was to be increased to over 150,000 tons per month and a new shaft, No. 2 Shaft, was being sunk to serve the North-Eastern portion of the property. The first stage of the extensions to the Reduction Plant increasing the capacity to over 125,000 tons per month had recently been completed. It was intended gradually to increase the tonnage treated but the extent to which this could be done depended mainly on the supply of native labour.

Satisfactory progress had also been made

in the sinking of No. 2 Shaft which at the beginning of the week had reached a depth of 1,898 feet below surface and had been concrete lined to a depth of 1,846 feet. The shaft was expected to intersect the Basal Reef Horizon at a depth of 4,100 feet but would be carried down to a final depth of 5,500 feet.

CAPITAL EXPENDITURE AND FINANCE

The Chairman stated that at the Annual Meeting in 1955 he had mentioned that the new shaft and the extensions to the Reduction Plant would involve an expenditure of about £4,500,000 to be financed out of profits and that it was anticipated that about one-third of this would be expended in 1955 the balance being spread more lightly over the succeeding years. In point of fact actual capital expenditure on this programme in 1955 was £1,228,500, or nearly £300,000 less than expected although the rate of sinking had been rather better than estimated. As a result of this somewhat quicker shaft-sinking programme which it was hoped to maintain in 1956 and with the consequent need to bring certain items forward in the timetable it appeared likely that capital expenditure in the current year would not be greatly less than in 1955. Total capital expenditure this year might be £1.3 million as against just under £1.5 million for the previous year.

The Balance Sheet at December 31, 1955, disclosed a healthy position with net current assets amounting to £734,602. In particular, except for housing loans, repayable in moderate annual instalments, the Company had no loan debt. However, in view of the scale of operations and the capital expenditure programme ahead, to be financed out of profits still to be earned, it was prudent to maintain a substantial cash position.

MAIDEN DIVIDEND

In March of this year the Directors declared a maiden dividend of 6d. per share, which was an important and gratifying event in the Company's progress. It was intended to consider the declaration of dividends in March and September of each year though the Company's financial year would continue as at present to end at December 31st.

RESULTS IN FIRST QUARTER OF 1956

During the first quarter of 1956 the ore milled totalled 288,000 tons and the yield was 5.87 dwt. The working profit was £453,055 and capital expenditure amounted to £279,887. The development footage driven totalled 9,808 feet, of which 3,330 feet were on Basal Reef and sampled, disclosing 2,015 feet or 61 per cent payable, averaging 13.5 dwt. over 31 inches, equivalent to 418 inch-dwt.

The motion for the adoption of the Reports and Accounts which was proposed by the Chairman and seconded by Mr J. M. M. Ewing was carried unanimously. The retiring Directors, Messrs C. B. Anderson, J. M. M. Ewing, H. F. Oppenheimer and M. W. Richards, were re-elected.

VAN DYK CONSOLIDATED MINES, LIMITED

A CREDITABLE PERFORMANCE

DEVELOPMENT TO IMPROVE ORE RESERVES

Mr C. B. Anderson, the Chairman of the Company, in addressing members at the Annual General Meeting held at Johannesburg on April 27, 1956, said that the tonnage milled in 1955 increased by 22,000 tons to 962,000 tons but the yield declined by 0.15 dwt to 3.28 dwt per ton. Thus in spite of a small increase in the average price received for gold the working revenue for the year at £1,980,334 was £32,475 less than in 1954, or a decrease of 1s. 8d. per ton milled. On the other hand, mainly owing to lower provision for the cost of development because of the smaller footage driven, but also as a result of strenuous efforts by employees on the mine, working costs were reduced by 2s. per ton milled, which in the face of continual rising costs in the industry is most creditable. Thus the working profit for the year at £36,300 was £16,121 higher than for the previous year.

The profit for the year was £40,102. After providing £15,000 for the additional liability for leave accrued to European employees and allowing £20,308 in respect of compensation for expropriation by the SAR Administration of certain surface belonging to the Company and other capital recoupments the unappropriated profit carried forward increased by £45,410 to £213,964.

DEVELOPMENT AND ORE RESERVE

The development footage driven at 26,494 feet was 5,332 feet less than in 1954. 18,810 feet were on reef and sampled of which 4,720 feet or 25 per cent proved payable averaging 9.2 dwt over 31 inches, equivalent to 286 inch-dwt. The percentage payable was slightly lower but the inch-dwt figure appreciably higher. The total footage included 9,165 feet driven in the No. 5 Shaft area and of the 4,505 feet on reef and sampled 1,495 feet or 33 per cent proved payable averaging 9.0 dwt over 29 inches, equivalent to 262 inch-dwt.

The recalculated ore reserve decreased 300,000 tons to 800,000 tons averaging 3.8 dwt over an estimated stoping width of 45 inches. The value was 0.1 dwt higher and the width showed an increase of 3 inches.

NO. 5 SHAFT AREA

The Chairman stated that up to the end of 1955 the total development footage accomplished in the No. 5 Shaft area was 94,558 feet. Of the 34,825 feet on reef and sampled 10,885 feet or 31 per cent have been payable averaging 9.4 dwt over 25 inches, equivalent to 236 inch-dwt. While this development disclosed some intermittent patches of higher grade ore, nowhere had there been any encouraging indication of large stretches of ore on which the Mine could depend for sustained tonnages and profits. Moreover, the No. 5 Shaft area was subject to large scale faulting and values were sporadic. These factors and the problems of providing adequate ventilation at such depths made the cost of development and stoping appreciably higher than in the old mine.

For these reasons and because some of the development ends were approaching extreme working limits from the shaft it had been decided to curtail primary development in the No. 5 Shaft area. The Chairman added

that work would now be limited to those places where payable ore had already been disclosed and to the more accessible areas which still appeared promising.

KIMBERLEY REEF EXPLORATION

The Company was drilling a number of shallow boreholes from surface in the vicinity of No. 4 Shaft to explore further the Kimberley Reef which lies at shallow depths in that area. Eight Boreholes had been completed but none had disclosed any values of consequence. On the other hand, small tonnages of payable ore were being mined from development and trial stoping was also being done from No. 4 Shaft on the Kimberley Reef Horizon.

SILICOSIS LEGISLATION

The Chairman welcomed the recent announcement by the Minister of Mines that when silicosis benefits are increased by legislation which it is proposed to introduce this year the State will itself assume responsibility for the retrospective liabilities so created up to the extent of £10,900,000. The industry would continue to carry the burden of providing for present and future liabilities in respect of silicosis compensation. It was difficult to predict, at this stage, the precise effect on the industry of the increased benefits since this depended on the number of cases certified by the Silicosis Medical Bureau, but the increase in the liability might well be a substantial one.

RESULTS IN FIRST QUARTER OF 1956

During the first quarter of 1956 the ore milled amounted to 240,000 tons and the working profit to £3,915. Total footage driven was 5,023 feet of which 4,010 feet were on reef and sampled. 570 feet or 14 per cent proved payable, averaging 9.4 dwt over 28 inches, equivalent to 264 inch-dwt. This footage included 1,486 feet driven in the No. 5 Shaft area of which 1,080 feet were on reef and sampled. 330 feet or 31 per cent proved payable averaging 9.6 dwt over 29 inches, equivalent to 277 inch-dwt.

A member enquired why members of the Company were not granted preferential rights to take up shares in Winkelhaak Mines, Limited, recently launched by Union Corporation, Limited, and whether any machinery had been sold by the Company to the Winkelhaak Company. The Chairman replied that he could see no reason why members of the Company should have been granted preferential rights to apply for Winkelhaak shares. The Company had sold to the Winkelhaak Company two compressors and a small hoist which were no longer required. The same member also enquired whether there was any chance of building up the Company's ore reserve beyond the present figure of 800,000 tons and the Chairman replied that the whole object of development was to improve the ore reserve.

The motion for the adoption of the Reports and Accounts which was proposed by the Chairman and seconded by Mr B. Elkin was carried unanimously. The retiring Directors, Messrs T. P. Stratten and J. S. Walker, were re-elected.

UNITED PREMIER OIL AND CAKE COMPANY

VIOLENT FLUCTUATIONS IN COMMODITY PRICES

The thirty-seventh annual general meeting of United Premier Oil and Cake Company Limited was held on May 9th in London, Sir Eric Miéville, GCIE, KCVO, CSI, CMG (the chairman), presiding. The following is an extract from his circulated statement:

The year to December 31, 1955, was an extremely difficult one for the seed-crushing industry in this country, and over the year the throughput of our Mills was substantially less than in the previous year. We are, however, pleased to say our other activities and the subsidiary companies concerned with them have rendered the same satisfactory results as they did in 1954.

The Group's gross profit on trading for the year ended December 31, 1955, amounted to £324,548 which, after deducting depreciation, taxation and Preference dividends, leaves £99,738 available for the payment of Ordinary dividends. To this amount can, however, be added £81,538 in respect of a tax refund and provisions no longer required, which, together with the amount brought forward from last year produces a total sum available of £438,247.

We have already paid an interim dividend on the Ordinary Stock of 3d. per unit (less tax) and we now recommend the payment of a final Ordinary dividend of 9d. per unit (less tax). This makes the same total distribution to Ordinary shareholders as last year, and requires a net amount of £46,000.

We have transferred £100,000 to General Reserve, which now stands in the consolidated balance sheet at £820,500 and the carry forward will be increased from £256,971 to £292,247.

During 1955 we expended some £340,000 on additional fixed assets. To complete the re-equipment programme initiated in 1947 another £250,000 is required and this we expect will largely be spent during the current year.

ADDITIONAL CAPITAL

By the end of 1956 we shall have spent since 1948 approximately £1,600,000 on the reconstruction and re-equipment of our factories. In addition, we have had since May, 1954, to finance some £500,000 of stocks which were previously carried by the Ministry of Food. We had hoped that the Group's own resources, together with retained profits, would have been sufficient to meet this large increase of capital employed in the business. It is, however, now clear to the Board that the Group requires additional capital and this has been raised by the issue of £500,000 Debenture Stock.

There are inevitably fluctuations in the price of those commodities with which the seed-crushing industry is concerned; these have been unusually violent since the market was entirely freed from Government control in May, 1954, and they have been largely responsible for the reduction in profit for the year December 31, 1955. Conditions, however, recently improved, but the Company's current financial year is not sufficiently advanced for the Directors to feel justified in making a precise forecast of the profits for the year. It should be borne in mind that modern seed-crushing plant has been installed during recent years and that certain of the group's subsidiaries continue to prosper independently of the seed-crushing industry.

The Report was adopted.

GEDULD PROPRIETARY MINES, LIMITED

HIGHER WORKING PROFIT

MR M. W. RICHARDS'S SPEECH

Mr M. W. Richards, the Chairman of the Company, in addressing members at the Annual General Meeting held at Johannesburg on April 26, 1956, said that during the year under review there was a further improvement in the native labour supply and the number of underground European personnel also increased. The Mine was able to raise the tonnage milled to 1,233,000 tons, which included about 100,000 tons from surface dumps. The yield decreased slightly to 3.23 dwt per ton, but the average price received for gold was 1s. 6d. per ounce fine higher than in 1954 and it proved possible to reduce working costs by 1s. 5d. per ton to 32s. 6d. per ton milled. The overall result was that the working profit for the year rose by £119,351 to £505,740.

He stated that after providing £213,961 for taxation and taking into account the items detailed in the Profit and Loss Account the net profit from mining operations was £328,626 which was £54,681 more than in 1954. Income from investments increased by £86,871 to £747,907 and the total profit for the year was £1,077,380. Two dividends totalling 14s. 9d. per share, being an increase of 2s. 6d. per share, were declared absorbing £1,077,382 and the balance carried forward was reduced slightly to £352,374.

DEVELOPMENT AND ORE RESERVE

Development footage driven on Black Reef was 9,498 feet and of the 7,130 feet on reef and sampled 3,060 feet or 43 per cent proved payable with an average value of 4.1 dwt over 69 inches, equivalent to 284 inch-dwt. 5,648 feet were driven on the Kimberley Reef and of the 3,920 feet on reef and sampled 810 feet or 21 per cent was payable averaging 193 inch-dwt. As there appeared to be little hope of disclosing large tonnages of payable ore on the Kimberley Reef development work on this horizon was being concentrated on the more promising areas which were easily accessible from existing Black Reef workings.

The ore reserve showed a decrease of 500,000 tons to 1,500,000 tons, the value being 0.1 dwt higher at 3.6 dwt, and the estimated stoping width 1 inch greater at 54 inches.

TAXATION

In March of this year the Minister of Finance announced that he proposed to restore the Formula Tax to the 1950 level, and also to increase certain allowances. The effect of the proposed change in the Formula Tax would be to reduce the rate of taxation by just under 5 per cent as from January 1, 1956. This reduction, though comparatively small, and the other concessions to the industry were most welcome.

SILICOSIS LEGISLATION

The Chairman also welcomed the recent announcement by the Minister of Mines that when silicosis benefits are increased by legislation, which it is proposed to introduce this year, the State will itself assume responsibility for the retrospective liabilities so created up to the extent of £10,900,000. The industry would continue to carry the burden of providing for present and future liabilities in respect of silicosis compensa-

tion. It was difficult to predict, at this stage, the precise effect on the industry of the increased benefits now proposed, since this depended on the number of cases certified by the Silicosis Medical Bureau, but the increase in the liability might well be a substantial one.

RESULTS IN FIRST QUARTER OF 1956

During the first quarter of 1956 the ore milled was 309,000 tons, and the working profit was £109,299. Development work on Black Reef totalled 2,950 feet, of which 2,690 feet were on reef and sampled disclosing 1,470 feet, or 55 per cent payable, averaging 5.8 dwt over 50 inches, equivalent to 292 inch-dwt. 440 feet were sampled on the Kimberley Reef, disclosing 60 feet payable, averaging 228 inch-dwt.

FUTURE OUTLOOK

The Chairman pointed out that with a steadily decreasing ore reserve inevitably earnings from the Mine itself would gradually decline. In recent years, however, less than one-third of the profits available for dividends had been derived from operations at the Mine, the balance of over two-thirds having come from long-standing investments in East Geduld Mines and in The Grootvlei Proprietary Mines. With a declining mine it was indeed fortunate that there was a considerable investment portfolio in addition to the freehold property which the Company owned. The motion for the adoption of the Reports and Accounts which was proposed by the Chairman and seconded by Mr T. Reekie was carried unanimously. The retiring Directors, Messrs T. P. Stratten and J. S. Walker, were re-elected.



THE EAST ASIATIC COMPANY, LIMITED

(Aktieselskabet Det Østasiatiske Kompagni)
COPENHAGEN, DENMARK

The following is a summary of the report for the financial year 1955 presented by the Board of THE EAST ASIATIC COMPANY, LIMITED, at the Company's annual general meeting in Copenhagen, on the 23rd March, 1956:

The Company's widely ramified activities under the Danish flag in international fields aim at adapting themselves to the changing conditions in conformity with the principle of correlation, which forms the basis of the Company's operations, i.e. to work on an equal footing with others for mutual benefit.

These operations embrace trade, industry, shipping and investment in subsidiary units with the object of stimulating correlation, not only between own and ancillary undertakings but also in co-operation with a network of agents throughout the world, partly financed by the Company's bank connections of long standing. Throughout the Company's existence prominence has been given now to one, now to another, of these centres of activity, based on conditions ruling at the time. Developments indicate that participation in industrial enterprises is likely to be of interest in the future.

A further aim lies in a gradual expansion and strengthening of the Company's shipping interests, where various tasks lie ahead, which will be taken in hand as the tonnage is augmented by the current building programme. In this direction steps were taken in the past year for an important expansion, contracts being placed for 4 tankers totalling 74,600 tons deadweight. The Company regards this measure to be a natural link in the development of its shipping activities. Simultaneously, a careful watch is being kept on research in the sphere of atomic energy and the possible use of nuclear power as a motive of ship propulsion, in which field a revolution can take place.

Shipping Department

Supplies of cargo for the Company's routes were adequate at remunerative rates throughout the year, although competition on the Far Eastern service is still noticeable. The financial result from the shipping operations improved, due to increased freight earnings. A decline took place in certain expenses owing to sale of ships and consequent reduction of tonnage in use.

Freight markets were firm with advancing rates generally, only interrupted by a temporary slight decline in the latter half of the year.

The Company's fleet at the close of the year comprised 32 motorships aggregating 327,342 tons deadweight with an average age of 10 years, standing in the books at kr. 204.55 per ton deadweight.

At the close of the year 11 vessels were under construction or on order at the Nakakov Shipbuilding Yard and Burmeister & Wain—3 10,000 cargo liners and 4 tankers of 18,500 tons from the Nakakov Yard and 4 cargo liners of 10,000 tons from Burmeister & Wain. Of this new building programme the M.S. "Sargolde" was delivered to the Company early in 1956, while the remaining vessels will be completed, 1 to 3 ships per annum, during the next few years.

Through "Profit and Loss Account" the fleet has been written down by 5 per cent, ordinary depreciation, and further by kr. 11,782,422.17 as extraordinary depreciation on ships and new buildings, in all kr. 19,965,421.33.

The Commercial Departments

The commercial activities of the Head Office are conducted through the medium of the import, export and wood departments. Parallel to the business transacted through Head Office a lively trade intercourse exists between the branches reciprocally.

Commodity prices in world markets were most favourable, with an advancing tendency generally rather than the contrary which occasioned an increased turnover with satisfactory results.

The Company's Overseas Branches and Associated Corporations

As mentioned in past reports the Company has a widely ramified organisation of overseas branches and associated undertakings which protect its trading and shipping interests and the management of local concerns, consisting mainly of forest, sawmill and plantation activities as well as oil industries, pharmaceutical factories, soap manufacture, etc.

Participation in other Companies

These investments stand in the Balance Sheet at kr. 87,737,904.52, against which there is a Security Fund showing a reserve of kr. 8,089,917.38. In the past year the Company acquired an interest in the wool firm of A/S Bloch & Behrens, Copenhagen—capital kr. 2,000,000—with overseas branches.

The results of the year under review were as follows:

From Shipping kr. 35,799,000.00
From Trade " 12,496,220.00
From Branches " 48,334,097.34
Dividends from Investments in other Companies " 3,622,140.01

Less: Interest and Financing Expenses kr. 100,262,000.30
" 3,269,521.30

Administration Expenses at Head Office and Branches kr. 46,823,717.98
Allocation for Taxes " 8,343,263.00

Depreciation kr. 42,816,462.84
" 22,962,707.00

Balance brought forward from last year kr. 19,833,000.00
" 7,830,190.20

For Disposal kr. 27,309,000.20

which it is proposed to apply in accordance with the accounts as follows: to pay a dividend of 18 per cent to the shareholders, to distribute a bonus of kr. 3,113,413.12 to the Board, Managing Directors and Employees, to allocate kr. 3,000,000.00 to the Extra Reserve Fund, kr. 2,800,000.00 to the Pension Fund, kr. 2,000,000.00 to the Insurance Fund and kr. 1,000,000.00 to the Extra Depreciation Fund for Buildings and Furniture, leaving kr. 7,894,473.30 to be carried forward to next year.

ROYAL INSURANCE COMPANY, LIMITED

A Statement by the Chairman, Sir John R. Hobhouse, MC, circulated with the 110th Annual Report and Accounts of the Royal Insurance Company Limited, announced record Fire, Accident, and Marine premiums exceeding £79 million, an increase of nearly £24 million over 1954.

Underwriting profit, at just over £3,800,000 (or 4.8 per cent), was down both in amount and ratio. Nevertheless, all departments had again contributed to the total, which had only twice been exceeded in the Company's history.

In the overseas field generally, business had continued to progress and results had been favourable. Despite the incidence of hurricanes and windstorms, a satisfactory year's trading in each department could be reported from the United States.

FIRE DEPARTMENT

Year	Net Premiums	Under-writing Profit	Percentage of Premiums
1955 ...	32,248,998	2,016,085	6.3
1954 ...	30,982,122	1,808,919	5.8

At home, Fire premiums had shown a modest increase of 4.5 per cent over 1954, and with a favourable loss ratio the account again produced a satisfactory profit.

ACCIDENT DEPARTMENT

Year	Net Premiums	Under-writing Profit	Percentage of Premiums
1955 ...	42,074,680	1,396,519	3.3
1954 ...	41,146,495	1,961,672	4.8

Accident premium income had shown a further increase, but profit had been smaller, largely owing to disappointing Motor results.

MARINE DEPARTMENT

Year	Net Premiums	Fund as at Dec. 31st	Percentage of Premiums
1955 ...	4,723,962	10,539,273	222.8
1954 ...	4,714,060	10,476,520	222.2

A profit of £409,492 (or 8.7 per cent) had emerged as a result of closing the 1954 underwriting account.

LIFE DEPARTMENT

Year	New Sums Assured	New Annuities (per annum)	Claims by Death	Matured Endowment Assurances
1955 ...	33,180,218	1,066,920	1,382,086	2,147,759
1954 ...	26,454,882	887,341	1,236,253	2,070,099

There had been a considerable further expansion in new Life business, and new Annuities had also shown an advance on the previous year.

As from January 1st last, the rate of interim bonus had been increased from 38s. per cent to 42s. per cent per annum except in certain overseas territories.

RESERVES

In view of the continued expansion in premium income, it had been decided to transfer £2 million from Profit and Loss Account to the Additional Reserve in the Fire Account. The Company's impressive progress over the years was based very largely

upon a reputation for unquestionable strength, and it was important to justify that confidence by building up reserves for the protection of policyholders to match the ever-growing volume of business.

INVESTMENTS

The rate of expansion and modernisation in British industry, and latterly the Government's policy of forcing borrowers away from the Banks into the market, had given rise to a record volume of new issues during the year. As a result, the Company had been able to invest a substantial part of its new funds in such issues at progressively increasing yields.

There had been many direct approaches for finance, particularly from small industrial concerns. In support of government policy an increasing restraint had been exercised in the Company's lending; nevertheless, there had been substantial additions during the year to the portfolio of mortgages in instances where lending was not in conflict with the national economic wellbeing.

The Chairman added that when interest rates were high, new money could be invested favourably, but there was, of course, a corresponding reduction in the value of existing holdings. However, in spite of the heavy fall in prices of fixed interest securities there was still a very substantial margin at the end of the year in the market value of investments over the value at which they were shown in the balance sheet.

During the year there had been received with regret the resignation from the New York Finance Committee of Mr John C. Traphagen, who had found it necessary to lighten the burden of his many business commitments. On the other hand, there had been the pleasure of welcoming as new members Mr Hulbert S. Aldrich, President of The New York Trust Company, and Mr William H. Moore, Executive Vice-President of the Bankers Trust Company. The Committee, under the chairmanship of Mr Benjamin Strong, had continued to invest the growing funds with great success, and its members had given freely of their great knowledge and experience of economic conditions in the USA. The Company was very much indebted to them.

The Chairman then thanked all the other Local Boards and Committees overseas, especially those in Montreal and Melbourne, without whom it would be impossible for the Group's substantial portfolio of overseas investments to be administered so satisfactorily.

FOREIGN EXCHANGE

Once again USA and Canadian dollar business had been brought into the accounts at the rate of approximately \$4.86 to the £, except for actual remittances from these countries, which had been taken at the sterling values realised.

For other overseas business, currency figures had been converted at the ruling rates of exchange throughout.

TAXATION

£1,100,000 had been set aside in the Profit & Loss Account in respect of United Kingdom taxation, this being additional to an amount of £1,606,173 charged to Interest, which was shown net of taxation. There had

also been overseas taxes of almost £4 millions in respect of underwriting and Interest, and taking into account the home and overseas income taxes on the Life and Capital Redemption Accounts, the aggregate taxation on the year's operations had approached £7½ millions.

DIVIDEND

An increased Final Dividend of 1s. 9d. is recommended by the Directors, making 3s. 4d. per 5s. unit of Stock for the year.

EAST GEDULD MINES, LIMITED

IMPROVED LABOUR SUPPLY

HIGHER OUTPUT AND PRICE

Mr T. P. Stratten, the Chairman of the Company, in addressing members at the Annual General Meeting held at Johannesburg on April 26, 1956, stated that as a result of an improvement in the native labour supply during the greater part of the year, the tonnage milled in 1955 increased by 102,000 tons to 1,765,000 tons and as the yield per ton milled was slightly higher at 6.18 dwt. the output of gold rose by just over 6½ per cent to 545,410 ounces fine. The average price received for gold was 1s. 6d. per ounce fine higher than in 1954. Accordingly the working revenue rose by £472,002 to £6,852,786. Working costs absorbed £2,760,925 and the working profit at £4,091,861 rose by £322,028 of which £204,699 was absorbed in taxation.

Provision for taxation amounted to £2,270,657 and after taking into account income from investments amounting to £66,615—mainly from the Company's holding in The Grootvlei Proprietary Mines, which remained unchanged—and the other items detailed in the Profit and Loss Account the profit for the year was £1,915,873.

£41,806 was appropriated to cover capital expenditure and an additional liability for European leave pay. Two dividends totalling 4s. 3d. per unit of stock, being 6d. more than in 1954, were declared, absorbing £1,912,500. The carry forward was reduced to £570,212.

DEVELOPMENT AND ORE RESERVE

The development footage accomplished on Main Reef was 13,039 feet or 3,413 feet more than in 1954. Of the 7,820 feet on reef and sampled 5,430 feet or 69 per cent proved payable, averaging 15.5 dwt over 26 inches, equivalent to 404 inch-dwt.

The ore reserve decreased 300,000 tons to 10,700,000 tons, averaging 5.8 dwt. over an estimated stoping width of 52 inches, the value being 0.1 dwt. higher and the width one inch more.

TAXATION

The effect of the proposed change in the Formula Tax would be to reduce the rate of taxation by just under 5 per cent as from January 1, 1956. This reduction, though comparatively small, and the other concessions to the industry, were most welcome.

SILICOSIS LEGISLATION

The Chairman also welcomed the recent announcement by the Minister of Mines that when silicosis benefits are increased by legislation which it is proposed to introduce this year the State will itself assume responsi-

for the retrospective liabilities so created up to the extent of £10,900,000. The Industry would continue to carry the burden of providing for present and future liabilities in respect of silicosis compensation. It was difficult to predict, at this stage, the precise effect on the Industry of the increased benefits, since this depended on the number of cases certified by the Silicosis Medical Bureau, but the increase in the liability might well be a substantial one.

RESULTS IN FIRST QUARTER OF 1956

During the first quarter of the current year the tonnage milled was 416,000 tons and the working profit £915,848. Development footage on Main Reef totalled 2,568 feet, of which 1,620 feet were on reef and sampled, averaging 740 feet or 46 per cent payable, averaging 10.5 dwt. over 22 inches, equivalent to 232 inch-dwt.

KIMBERLEY REEF EXPLORATION

The Chairman recalled that between 1951 and 1954 some development was carried out on the Kimberley Reef Horizon in the South-Eastern portion of the Mine, but that the values were disappointing. This work was carried out from a cross cut from No. 1 Shaft. With a view to exploring the Kimberley Reef in the vicinity of No. 2 Shaft development work from that Shaft on the Kimberley Reef Horizon will commence shortly.

The motion for the adoption of the Reports and Accounts which was proposed by the Chairman and seconded by Mr J. MacG. Love was carried unanimously. The appointment to the Board of Mr A. J. T. Goldby was confirmed and the retiring Directors, Messrs J. MacG. Love and J. S. Walker, were re-elected.

HUDSON'S BAY COMPANY

The two hundred and eighty-seventh Annual General Court of the Governor and Company of Adventurers of England trading into Hudson's Bay was held on May 2nd, in London, Mr W. J. Keswick, the Governor, presiding.

The following is an extract from his circulated report:

1955 was a remarkable year in Canada. Even by the standards of other periods of prosperity, the increase in the national income was outstanding. Trading sales increased by 9 per cent to £62,017,000, a new record.

Consolidated profit for the year after providing depreciation of £854,123 and Canadian and United Kingdom taxes of £1,706,000 was £1,934,542, compared with £1,723,963 the year before. Income from royalties, primarily from oil and natural gas, reached the substantial figure of £435,110.

A total dividend from trading of 15 per cent, of which 4 per cent interim has been paid, is proposed.

A distribution of 2½ per cent, half of which has already been paid, is proposed from the Land Account.

The Retail Stores again reported increases in both sales and profit in spite of growing competition from many directions. Sales in the Interior Stores were substantially increased and the development of this Division is progressing. The increase in sales of the Fur Trade Department came entirely from merchandise sales in comparatively new stores in mining, paper and transport communities.

The report and accounts were adopted.

TRAWLERS GRIMSBY LTD
ENJOYS ANOTHER GOOD YEAR

*Large Expenditure on Development
brings increased turnover and profits
Fleet Expansion continues*

PROFITS AND DISTRIBUTION
OF PROFITS

The profits for the year of £215,526 (subject to tax) compare with £128,924 for the previous accounting period of 18 months. Depreciation at £200,000 is approximately 60% greater leaving the net profit after taxation at £115,134 compared with £58,662 for the previous period of 18 months, and making the final profit £137,161.

We think that the shareholders deserve some reward for their enterprise. Your Directors therefore recommend a final dividend of 10% on the issued ordinary share capital as increased by the recent bonus issue of £61,843 ordinary stock, making 16% for the year which compares with a rate of 12% per annum for the previous 18 months.

It is also recommended that a further £25,000 be written off goodwill which follows the £76,657 written off last year out of capital surpluses. The balance carried forward of £52,870 is increased to £72,089.

Out of the net profit of £137,161, distributions have amounted to £51,460 leaving £85,701 to be retained in the business to assist in further expansion.

CONSOLIDATED BALANCE SHEET

The issue of ordinary stock last May to shareholders in the proportion of one stock unit at 5/3 for each two stock units held brings the issued ordinary share capital on the Balance Sheet to £438,157 compared with £292,105 last year. Reserves and profits retained have increased during the year by £103,927 bringing the funds attributable to the holders of the ordinary share capital up to £1,164,748.

ANALYSIS OF PROFITS

Landings of 5,291,161 stones realised £1,801,367 at sale by auction at the quayside, and yielded a net profit after tax of 6½d. per £ sales and only .15d. per lb. of fish landed.

Our wholesale and retail fish and poultry business trading at all main fishing ports and large inland centres of population had a turnover of £5,144,830. The turnover in weight was 5,231,803 stones which resulted in a net profit after tax of 2½d. per £ sales or .16d. per lb. weight of fish sold.

FLEET EXPANSION

In pursuance of our policy of increasing the efficiency of our fleet whenever possible, several of our older vessels have

been sold and more modern vessels have been purchased.

It is well known to you that we have an extensive building programme in hand, under the assistance of the White Fish Authority Grants and Loans Scheme, and in the course of the twelve months under review one vessel was delivered, and operated very satisfactorily for the last seven months of the year and has since continued to do so.

Since the year ended three new vessels, the S.T. "Stella Aquila," S.T. "Kelly" and the M.T. "Ross Lion" have been delivered in March, 1956 and are at present fishing.

DISTRIBUTION ACTIVITIES

Our network of distribution of Sea Sparkle and Westwick products by our subsidiary Companies, Ross Group Ltd., Quayside Products Ltd., etc. throughout the British Isles has been broadened by the opening of several new delivery depots and the extension of road services to meet the needs of our customers.

A new Cold Store and processing plant which will have a capacity of around 750 tons is in course of erection and should result in economies in handling and storage charges.

CURRENT TRADING

It is difficult to forecast for the current year but with 6 months only passed it would seem reasonable to expect that profits will approximate to those for the year ended 30th September, 1955. We have a much improved fishing fleet, a keen and experienced staff in all departments and we look forward with confidence to the future of your company.

FROM SEA BED TO BREAKFAST
TABLE

In these days, the cost of food is on everyone's mind. The reason is very simple. Food is 40 per cent. of the cost of living in the average home. Fish is only a part of the national diet but a very important one. Whilst the cost of living is going up—and indeed it is a national economic problem—it should be borne in mind that whilst food costs generally have risen 30 per cent. since 1951, the cost of Fish to the housewife has only risen 6 per cent. This remarkable achievement in holding the price of fish down to a very low point has been made possible by the proper employment of capital in new ships, very efficient labour and high productivity and the speedy and efficient distribution of Fish from the sea bed to the housewife's table.

APPOINTMENTS
IMPERIAL CHEMICAL INDUSTRIES,
LIMITED

**BILLINGHAM DIVISION
VACANCY FOR ORGANISATION AND
METHODS OFFICER**
Applications are invited from University graduates or professionally qualified men up to about 30 years of age for a vacancy in the Division Office Organisation and Methods Officer. The duties will involve the study of organisation and methods with a view to improvement and the application of electronic data processing systems. Knowledge of general commercial practice, accounting, statistical methods, electronics and punched card techniques would be an advantage. Additional training can, however, be given to candidate with an appropriate educational or commercial background and there is also an attractive salary offered. Assistance can be given towards house purchase and removal expenses in case of married men. Write, giving brief details of age, qualifications and experience, to the Staff Manager, Imperial Chemical Industries, Limited, Billingham Division, Billingham, Co. Durham, quoting reference C.6.

MARKET RESEARCH MANAGER

THE HOTPOINT ELECTRIC APPLIANCE CO. LTD., Member of the A.E.I. Group of Companies, invites applications for the post of Market Research Manager. The successful applicant will be responsible for establishing and developing an important new Market Research Department in the electrical appliance field. Applicants must have first-class experience of market analysis and consumer research and should be capable of assessing and interpreting research data as a basis for formulating marketing policy. The position offers great scope to a man combining this experience with the highest personal qualities of integrity, personality and energy. Remuneration will be commensurate with the responsibilities of the position. There is a contributory pension scheme and other benefits. Applications will be treated with strict confidence. Please send full details of personal and business history including present and past remuneration, to Mr R. Craig Wood, Managing Director, The Hotpoint Electric Appliance Co. Ltd., Crown House, Aldwych, London, W.C.2.

FURNISHING FABRICS

COURTAULDS LIMITED wish to appoint a Senior Executive to take full charge of the development of medium and heavy furnishing fabrics in their Textile Division. A sound technical background and knowledge of the production of these fabrics which are principally woven jacquards is essential, but it should be combined with a considerable knowledge of colour, design, market trends and foreign goods. This is a senior appointment (based on London) for which a high standard of personal ability and achievement in this field of the textile industry is required, and will carry a salary commensurate with the responsibility. Candidates should write for a detailed form of application to the Director of Personnel and Recruitment, 16 St. Martins-le-Grand, London, E.C.1, quoting reference number E.73.

MARKETING EXECUTIVE—William R. Warner & Co. Ltd. require a Marketing Executive for their ethical pharmaceutical products. This is a newly created post offering considerable opportunity for advancement. Applicants should have had experience of all aspects of marketing both new and established products in this field. Commencing salary according to qualification and experience and will be adequate to attract an experienced and enthusiastic executive. The company has a generous non-contributory pension scheme. Applications, stating age, qualifications, positions held and salary earned, should be sent to Director, William R. Warner & Co. Ltd., Power Road, London, W.4.

CHARTERED ACCOUNTANT required for appointment as Company Secretary to a Public Company in the Multiple Stores field, with Head Office in Glasgow. Applicants should have managerial ability and first-class professional and commercial experience. Aged under 36. Successful applicant must be of executive calibre for a position offering substantial salary and exceptional prospects, and will serve for six months with present Secretary who is retiring. Applications which will be dealt with in the strictest confidence should state age, qualifications, previous employers and positions held, and be addressed to Mr Meyer Oppenheim, Chairman and Managing Director, James Grant & Co. (West) Ltd., Box No. 114, 10 Jamaica Street, Glasgow, C.1.

CZECHOSLOVAK and Hungarian analysts wanted by American radio organisation in Europe for translatable research work. Applicant must be able to translate into English and write English effectively. Background in social science research or journalism. £700 monthly, family housing, and transportation provided. Details in first letter, please—Box 408.

ATTWOOD GROUP OF COMPANIES are seeking really competent statisticians. In particular, they are looking for someone who has had three to four years' intensive experience in market research work. The man selected will be given considerable freedom to test out his own theories on consumer acceptance trials. Therefore, he must be capable of putting his ideas across to the colleagues and Clients. Mr Brown and Mr Chaplin will welcome a chat with anyone who feels interested in such a position and is available for appointment at the Grosvenor Hotel, Buckingham Palace Road, S.W.1, on May 18th between 3.30 a.m. and 4.30 p.m. Naturally, if you would like to telephone 80311 and make an appointment first it will be appreciated. These are good posts and first-class men will be offered really substantial salaries.

Europe (except Poland): £4.15s. **Iran:** £6
Australia: £6.5s. (sterling) **Gibraltar, Malta:** £3.15s. **Israel:** £6
Canada: £21.50 or £7.14s. **Hongkong:** £7 **Japan:** £9
East Africa: £5.5s. **India & Ceylon:** £6 **Malaya:** £6.15s.
West Africa: £5.5s.

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MAKERERE COLLEGE

THE UNIVERSITY COLLEGE OF EAST AFRICA Applications are invited for (1) Lectureship or (2) Assistant Lectureship in Political Science. Salary Scales (1) £950 x £36—£1,032 x £42—£1,178 x £48—£1,350 x £54—£1,404 x £60. (2) £816 x £36—£924 x £42. Entry point according to qualifications and experience. Cost of living allowance 10 per cent salary. Allowance £30 p.a. per child (max. £150 p.a.). Passages for appointment and family (up to four adult passages) on appointment, termination and leave (three months every 21 months). P.S.S.U. Rent according to quarters provided. £45 to £84 p.a. (including basic furniture). Applications (six copies), detailing qualifications and experience and naming three referees, by June 12, 1956, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

THE WESTERN REGION PRODUCTION DEVELOPMENT BOARD, Ibadan, Nigeria, has vacancies in its accounting organisation for a Senior Accountant and an Accountant. Candidates for the post of Senior Accountant should possess a recognised Accountancy qualification and should have had at least five years' experience in a professional office since qualifying, including work on re-organisation, introduction of a new accounting system and budgetary control. Commencing salary, excluding indigence allowance, will be in the range of £1,360 x £60—£1,590. Indigence allowance is £300.

Candidates for the post of Accountant should have had at least five years' professional and commercial experience including the preparation of financial and cost accounts and designing of cost systems. Commencing salary, excluding indigence allowance, will be in the range £902 x £42—£1,070. Indigence allowance is £240. It is essential that candidates should have sound knowledge of costing and cost systems. 2. The terms of service include partly furnished accommodation at 84 per cent of the basic salary; free medical service; outfit allowance, free passage for wife and also free passages once each way per tour for children up to 3 in number not over the age of 13. Employees are required to contribute up to 10 per cent of salary to a Provident Fund. Home leave at full pay at the rate of 5 days per month on overseas service. Normal length of tour 18-24 months. 3. Applications, with duplicate, together with details of age, experience and qualifications and the names of three personal referees should be sent to: The London Representative, Western Region Production Development Board, 18 Grosvenor Gardens, London, S.W.1, to reach him not later than May 19, 1956.

AN outstanding Representative—eager to exert persuasive personality to the full in the sale of a long line of very high-class office equipment, and with ability to command an income of £2,000 per annum and above—is urgently required. Other qualifications: Youth (preferably not over 30); good education (University graduation or professional qualifications an advantage); accounting knowledge or study, preferably some business experience, undoubted integrity. To such a man we offer the employment of a progressive career field which he will be thoroughly to enjoy. A soundly established opportunity in a large, old-established, go-ahead organisation.—Send full details to Box 403 (ref. A/56).

GROUP LEADER

An Employer's Organisation in the North proposes to appoint a Discussion Group Leader as part of a comprehensive training scheme in human relations. In addition to the duties usually associated with group leading of managers and supervisors, the person appointed will, it is hoped, have some experience or interest in operative training, and in personnel matters generally. Ideally, the person would have a University degree and a solid foundation of industrial experience, and be between the ages of 30 and 35, although there is no intention to set an age limit. Knowledge of methods of visual presentation and techniques of communications would be of great value. The ideal candidate would preferably wish to stay in the job for about three years. Salary would be in the four-figure region, and would vary according to experience.—Write to Box 405.

ONE of the Attwood group of Companies would be interested to hear from gentlemen who combine personal initiative with a desire to discuss problems with Leaders of Industry on equal terms. The ideal person would probably be someone with a background of selling Market Research Development. The opportunities are considerable and the rewards sufficient to make this a really attractive proposition to an energetic and knowledgeable person. In the first place, please send us short details of your career to date, giving such facts as you think appropriate. Unless you are already in the £7,000 a year class, please do not trouble to apply. Please write to Bedford Attwood & Company Limited, Chantry House, Eccleston Street, London, S.W.1.

YARN THROWSTERS processing a variety of synthetic yarns wish to introduce into their sales department a young man to be trained as Assistant to the Sales Manager. After a thorough training he will be required to take charge of the sales office activities for both home and export markets and deputise for the Sales Manager during his absence. The position is an important one, progressive, and offers splendid opportunities for advancement. The candidate to be chosen should be of high educational standard, preferably a University Graduate in Economics or Commerce, have a grasp of business problems and show keen interest in sales management. He should be between 22-28 years of age and have had at least three years' experience in a junior management capacity in a reputable commercial or industrial undertaking. An attractive starting salary will be offered. Applications, giving full details of career, should be addressed to the Managing Director, British Depa-Creps Ltd., Gleebe Mills, Hollingwood, Oldham.

WINES of quality. Leading importers, P.O. 28s. 11d. will bring case of four bottles Bordeaux, Burgundy, Jugo. Free delivery—Paton & Company, Peterborough, distinguished wine merchants since 1838.

The Economist: Annual Air Subscription Rates

America: £6.5s. (sterling) **Europe (except Poland):** £4.15s. **Iran:** £6
Australia: £6.5s. (sterling) **Gibraltar, Malta:** £3.15s. **Israel:** £6
Canada: £21.50 or £7.14s. **Hongkong:** £7 **Japan:** £9
East Africa: £5.5s. **India & Ceylon:** £6 **Malaya:** £6.15s.
West Africa: £5.5s.

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THE ALEXANDRIA WATER COMPANY
LIMITED

ALEXANDRIA, EGYPT
NOTICE TO SHAREHOLDERS
Issue of 71,200 £5 fully paid-up Bonus Shares to shareholders in the ratio of 89 new shares to 210 old £5 shares held, fractional certificates (bearer scrip) being delivered, wherever necessary. Applications to be submitted not later than March 8, 1957. Particulars, application and listing forms, etc., may be obtained as from May 16, 1956:—
In LONDON from: Midland Bank Limited, Overseas Branch, 12 Old Broad Street, E.C.2.
In ALEXANDRIA from: National Bank of Egypt, 3 rue Toussoun.
In CAIRO from: National Bank of Egypt, 31 rue Kasr-el-Nil.
In accordance with the Exchange Control Act, 1947, shares may not be issued in bearer warrant form except to holders of existing bearer warrants who are resident in Egypt or to holders of registered shares registered as of an address in Egypt.
Dated, Alexandria, Egypt, May 1, 1956.
BY ORDER OF THE BOARD,
Chairman and Administrateur-Délégué.

B.Sc.(ECON.) LONDON UNIVERSITY
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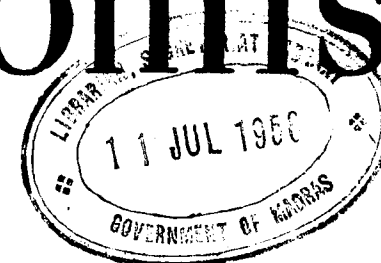


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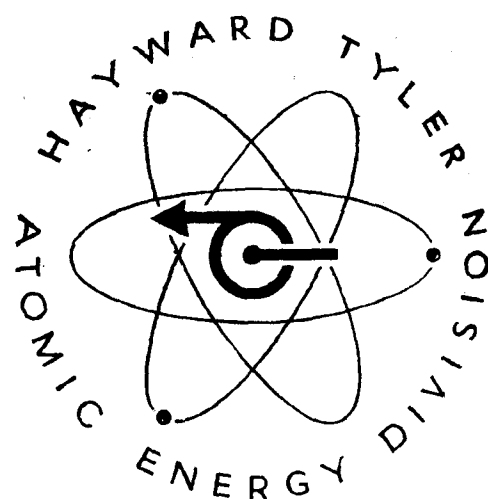
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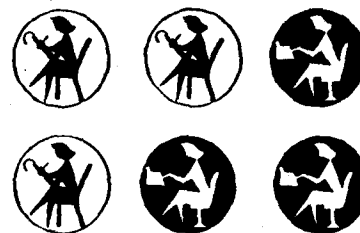
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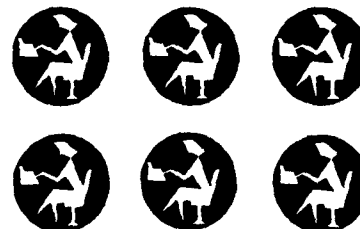
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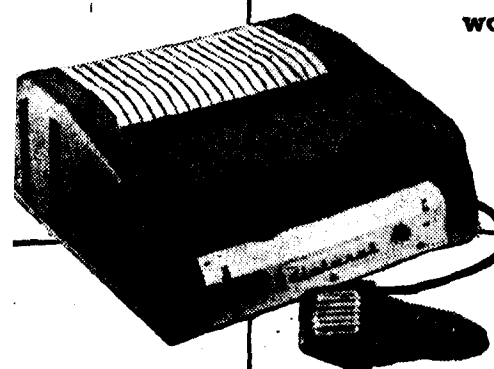
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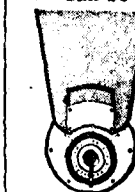
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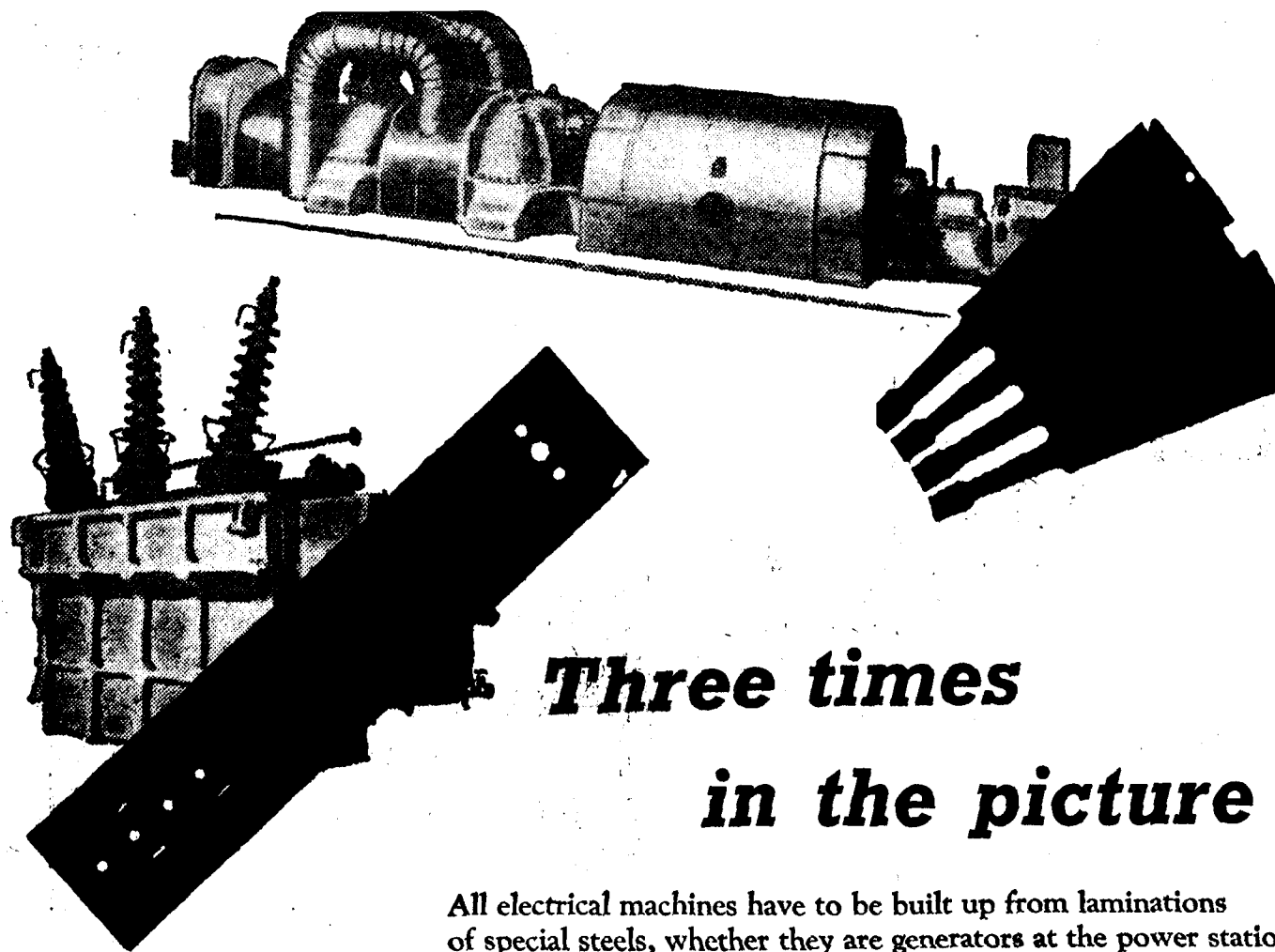
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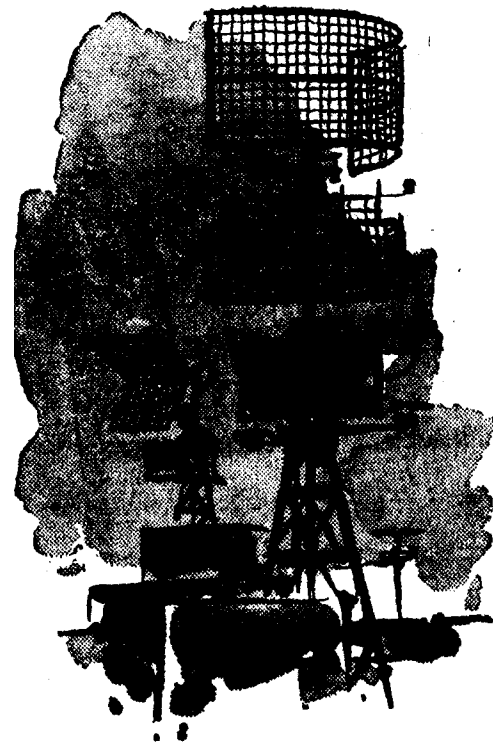
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MAY 26, 1956

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Three Years to Go

IT is a year ago today since the general election. On May 26th, 1955, the Conservatives stood at their zenith and Labour at its nadir; there need be no recantation of the view that it would have been a national disaster if the party then slipping out of Mr Attlee's grasp had been returned as Her Majesty's Government. In the year since then, under Mr Gaitskell's pragmatic leadership, Labour has made as great progress towards responsibility as anybody could reasonably have asked for; it has not yet got a policy, but that is not altogether a disadvantage for a party of its kind. The Conservatives, on their side, have undoubtedly lost some of their dynamism and gloss. If an election were being held today, it would be reasonable for an organ of opinion of the centre to revert to editorial neutralism, harbouring a prejudice perhaps (it is very difficult for anybody who was close to that febrile Labour party of 1949-55 not to harbour a prejudice), but without feeling that the difference between national progress and political futility hung upon the vote. The two parties are back in the same league.

When people of the centre feel this way, the party that is most likely to win the next general election, unless the Government makes a forceful recovery, is the party at present in Opposition. The Conservatives would therefore be wise to treat this May 26th not as an anniversary but as a springboard. Theoretically the last possible date for the next election is four years from today; in fact, however, since Parliaments are never allowed to run till their last gasp, the next election will probably be held in the autumn, or possibly in the spring, of 1959. On a conservative assumption, the best slogan for this week is "three years to go."

What has to be done in this period? The first point to urge upon the Conservatives is that they should not overload their effort at recovery with too much legislation. Governments are not to be judged by the output of their sausage machine. The major proposals that will need to be in the Queen's speech next autumn are already known. They are a measure of local government reform, a revision (it would be better to make it a scrapping) of the Rent Restriction Acts, a Bill to implement the recommendations of the Royal Commission on gambling, and another to implement the Gowers recommendations for protection of shop and office workers. Together with the usual tag ends which encumber any parliamentary timetable, that is quite enough. Although the Bill to introduce cash betting shops—coming at about the same time as the first draw of those meretricious premium bonds—is quite likely to be the most discussed political phenomenon of 1957, it is at once obvious that there is only one really important measure on this list. If the Conservatives introduce a bold Bill to abolish the distortions, and to loosen the industrial immobility, caused by rent restriction, they will have done their main legislative duty for the last three quarters of this Parliament.

Legislation, however, plays a relatively small part in national

or political fortunes: nearly two hundred Acts were passed in the course of the last Parliament, and the ordinary man would be hard-pressed to name half-a-dozen of them. Instead, the dominant memory of 1951-55 is that Mr Butler made a success of his economic policy; the dominant misfortune of the present Parliament, to date, is that the sparkle of that achievement has worn off. So the second main resolution for the Conservatives, on this May 26th, should be to recapture the *élan* of the period of promised investment in expansion and success. That involves hard thinking about what went wrong in Conservative economics last year, and when it started to do so.

What went wrong was that Mr Butler's policy of all-out expansion, which had always carried with it the disadvantage of too many price and cost increases, carried in 1955 a greater increase in costs than the economy could afford—and brought a plain threat of devaluation of the pound. The day on which things started to go wrong, if one day is to be picked out, was January 5, 1955. On that day a three-man court of inquiry, in a report from which most other economic evils from then to now have flowed, recommended that the nation should "will the means" of delaying a railway strike by opening the floodgates to wage inflation across the whole economy. The only way in which the Conservative Government could have avoided last year's expensive deterioration, given Mr Butler's definition of full employment, would have been if the Minister of Labour had come down to the Commons that day, and thrown this disastrous piece of nonsense back in the court's teeth. Sir Walter Monckton did not do so; and the rest followed.

★

The Tories do not yet recognise this reading of last year's experience; their reaction when anybody blames Sir Walter for any of our present misfortunes is still one of surprise. But, to be fair to them, they have come to realise that determination to damp down cost inflation has now to be a central feature of their policy. The disinflation of demand now in process is the motive force behind that policy; the talks that the Prime Minister is so fond of holding with trade union leaders are the oil that is meant to smooth its operation; the willingness of state industries in deficit flatly to turn down wage demands next winter, even at the risk of strikes, may be the test of whether the machinery is to be used. The readiness to face this—including the readiness to face that nasty word "strikes"—is the hub around which the country's whole economic future (and, less important, the Tories' political future) will turn. If last winter's round of wage increases is repeated at the end of this year, especially at a time when it looks as if American demand may be about to turn down again, then it will probably be impossible to avoid another devaluation of the pound. If that happens, all further hopes of Tory economic progress go with the wind.

But if this is not going to happen, if the Government does manage to check wage inflation this winter—at the same time as it harvests the immediate balance-of-payments surplus which the present dampening of home demand ought to bring about—then it will be sensible to start thinking about another round of Butlerite advice. There are four particular sets of targets that can be laid down:

(1) *Tax Reform.* The most important aim here, as soon as there is any slack in the economy, should be to restore Mr Butler's investment allowances; they were withdrawn last February for the ironical reason that they were working too well. The other priorities should be the "middle class" income tax reforms left over from the report of the Royal Commission (which would cost a little money) and the replacement of the anomaly-ridden purchase tax by a flat rate sales tax (which would get some money back).

(2) *Conscription.* The decision to abolish general conscription by the end of 1958 should be taken now. General conscription is an absurdly wasteful way to run a technicians' army: a system under which nearly a third of the army's strength is absorbed in training or being trained or is in transit at any one time. This does not mean that the Tories should play for popularity; they should be prepared to face the reverse. If Britain has not got enough regulars by 1958, then general conscription should be replaced by *selective* conscription through ballot, if necessary for an even longer period of call-up than now. A bold decision that this is the alternative would give the Tories every incentive to make a success of their present scheme for expansion of the regular army.

(3) *Free Trade.* It is important to keep up the Butlerite impetus towards freer trade, although a steady advance to multilaterally freer trade may be difficult—especially if American economic activity should be about to slacken. The obvious course is for Britain to align itself with the ideas now stirring in Europe: with the so-called "common market" which is really a scheme for the progressive lowering of European tariffs.

(4) *Industrial Mobility.* The aim should be that when a worker is not wanted in one industry or factory he should promptly move on to another one. It is obvious that the abolition of rent restriction—the freeing of the housing market from the distortions based on squatters' rights—is the main step needed here. But the Government should aid mobility in other ways; Mr Butler, from his vague eminence as Lord Privy Seal, should be given the responsibility of working out a definite plan. Beside the provision of public money for re-training displaced workers, it would have to include the loosening of trade union restrictions on entry into some trades and the modification of certain exaggeratedly protective apprenticeship schemes.

★

There, then, is a positive programme with which the Conservatives might recapture their *élan* in domestic policy. In foreign affairs Sir Anthony Eden has been Foreign Secretary, *de jure* and then *de facto*, for so long that it might seem strange to say that the Government's record abroad in the last year has been more disappointing than its record at home. But, in retro-

spect, it plainly has been. The way to recovery is equally plain. Britain should co-operate more closely with its allies, even while it is making friends with its older foes and stamping out home-made bombs thrown by its newer ones. There are three obvious manifestations of this:

(1) Greater reliance upon the western alliance is clearly the first need for any solution of Britain's problems in the Middle East and in its strategic colonies that do not want to be colonies any more; if there is any answer to the mess in Cyprus, it must lie in turning the base there into a Nato one.

(2) It is even clearer that lack of co-ordination—the one-year itch to go part of the way alone—is the main danger now besetting British foreign policy in the long haul towards genuine peaceful co-existence with the Russians; while Sir Winston Churchill, trailing his historical clouds of glory, could occasionally afford to dart ahead of Britain's allies in the way that those allies were eventually going, Sir Anthony Eden cannot with impunity do so.

(3) Finally, one of the best ways for Britain to secure economies in defence also lies through co-ordination, through refraining to make various war machines that the Americans make better and that we do not need to duplicate; there are, of course, other worthwhile economies to be sought in defence manpower and in certain specialist branches of the services—one way to them lies through

puncturing in various service chiefs (especially admirals) the delusions of delightful independence that sometimes need to be punctured in Sir Anthony himself.

These may seem harsh things to say. But if there is any substance in the otherwise rather unfair cascade of criticism that has descended on the Prime Minister in the past six months, it is to be found in this: that he has sometimes seemed to try to replace the two main props of Britain's continued peace and prosperity—the strengthening western alliance abroad and the re-invigorated market economy at home—by the short-term manoeuvres of a skilled diplomatic technician. All the suggestions in this article have been based on the proposition that Britain will do best to revert wholly to the alliance and to the market again. These are the real sources of Britain's strength. They are also the real ingredients of the Conservatives' opportunity. The extent of that opportunity should not be underestimated. By 1959, with price inflation checked, production rising again, the housing "shortage" exorcised by the removal of rent restriction, conscription abolished, peace and security more secure, the new industrial revolution in full swing—the harvest to be presented to the electorate could be more golden than that of 1955. But it will require some hard and temporarily unpopular sowing in the meantime. There are three years to go.

Between Khrushchev and Thorez

AN uncanny resemblance to the "B and K" visit to Britain marked the French ministers' talks in Moscow last week. Saturday's joint communiqué was as wordy and woofly (one French journalist called it an "interminable document") as the one issued in London three weeks earlier, and followed in much the same tracks. M. Mollet tried as hard as Sir Anthony Eden, and as unconvincingly, to persuade his fellow countrymen that something concrete had emerged. "Cultural contacts" and trade targets were again cited as evidences of achievement. Once more the Moscow press exulted in "a defeat for the adversaries of international co-operation"; once more sighs of relief echoed from Washington. At first glance the whole affair looked like one more circumnavigation of the Muscovite mulberry-bush, fruitless but harmless. But what really happened?

Mr Khrushchev secured his minimum objectives. As in London, he obtained documentary evidence with which to impress upon his own subjects, if not upon others, how hard he was working for better relations. (The crowd scenes during the French visit were a notable revelation that his surest means of drawing popular applause in Moscow is to appear in foreign company.) He also—and even anti-Americans among the French newspapermen realised and remarked on

this—achieved, by the mere act of meeting the French ministers alone, another modest stage in his campaign to isolate the United States diplomatically. But, as in London, he got nothing more. Neither his polite sneers ("I know you cannot do this or that without offending your allies") nor his flattery ("France's voice should be heard more strongly") nor even his very non-committal "welcome" to the latest French plan for aiding backward areas affected his visitors.

The visitors, indeed, gave as good as they got. M. Pineau told his hosts that a Germany committed to the West and restrained by western control systems would be much less dangerous to Russia than an uncommitted Germany free to play off East against West. The French ministers pressed the question of political prisoners hard, and without coming under the same barrage of abuse as their fellow-socialist, Mr Gaitskell. "The Russians now know what a social democrat is," M. Mollet said later with a quiet smile. He also told the Soviet public that they all ought to have as close and free contact with the outside world as the men at the top. "People living in cloistered solitude cannot get rid of fear" was a memorable sentence to utter to the Moscow television audience. And as to Algeria, despite Marshal Bulganin's belated revision of the text of the communiqué, the French

were not highly impressed by the sight of the Marshal declaring at one end of a room that "Algeria is not our business, it is France's," while Mr Khrushchev at the other was reassuring Arab diplomats that "we shall support everybody who fights for national independence."

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But uneasiness about France arises far less from any fear that the French will fall easy victims to smooth Soviet talk than from painful awareness of the country's internal pressures. M. Mollet heads a government pledged to bring peace to Algeria, but he has had to send close to 400,000 men to fight there. The resignation of M. Mendès-France on Wednesday frighteningly illuminated the weakness of the socialist prime minister's position. M. Mendès-France's action had long been awaited, for he had made it clear that in his view the government in which he was deputy premier until this week should have combined its military effort in Algeria with a parallel course of political action that would capture the imagination of the Moslems. He has been careful to resign as an individual; other Radical ministers are remaining at their posts; the government has not been brought down, but its future is more uncertain than ever. Moreover, M. Mollet's leadership of his own party is also in question. And all these weaknesses increase the need to look carefully at the role and intentions of the French Communists.

When M. Mollet landed in Moscow a delegation from the French Socialist party was just leaving; and they and their Soviet Communist hosts had agreed to ask their party executives to consult together on subjects of "common interest"—an agreement which the Russians had not extracted from any other democratic socialist party. The French Socialists have been quick to protest that they still mean to turn a deaf ear to the blandishments of the Communists in their own country. But in their present critical position they may have to choose between suffering the Communists' embraces or receiving from them blows that would send them reeling helplessly into the arms of the Right.

The French Communists for their part have also found Algeria a tricky matter. They have not found it possible to force a policy of "united action" upon the Socialists, either by giving them unqualified parliamentary support or by an all-out onslaught on their Algerian policy. Instead, they have grudgingly voted for the government's special powers in Algeria—"in order to keep it out of the arms of reaction"—at the same time attacking its handling of the Algerian crisis. This ambiguity enables the Communists to benefit from the growth of discontent, as increasing numbers of conscripts become bogged down in North Africa, without incurring working-class opprobrium for bringing down France's first socialist-led government since 1947. Normally the Communist leadership would have had no difficulty in transmitting these somewhat complicated marching orders to its troops, but the present situation is far from normal.

The French Communist party had quite a reputation

for Stalinist orthodoxy. It has long been puzzling to see intellectuals reared on Descartes indulging in mental acrobatics to keep to the party line, and workers with no MVD at their backs performing ritual Byzantine antics. After Stalin's death, M. Thorez and his colleagues actually proved more reluctant than Stalin's heirs to accept the new attitude towards Yugoslavia, to give publicity to rehabilitations in Eastern Europe and even to certain speeches at the Moscow congress. Their distaste for the attacks on "the cult of the individual" even gave the impression that they might stage a "Titoist revolt in reverse." This, however, was an illusion. The new current from Moscow is creating a turmoil in French Communist cells, one symptom being the violent outburst provoked inside the party by M. Thorez's condemnation of birth control. The rank and file are slowly recovering their critical faculties and asking awkward questions. It may not be possible now to command obedience for unexplained orders and empty slogans.

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One plank of the new platform that puzzles the activists is the "possibility of reaching socialism by parliamentary means." Such wares, some of them argue, are better displayed in the neighbouring shop-window of the Socialists. It was the good fortune of the French Communist party that in the last ten years conditions in the country were bad enough to keep it the vote of over five million Frenchmen, but not bad enough to drive the workers to take violent action against the party's wishes. The dilemma of reconciling a revolutionary ideology with the fear of precipitating a world war is still far from solved. It was partly for making a virtue of this necessary caution that M. Hervé was expelled from the party earlier this year (though the Stalinist manner of expulsion suggested that his attack on "fetishes" was not only too loud, but too early). Reformism need not be the guiding principle for ever. The Communist leaders may well argue that in a few years American troops will leave Europe and nuclear stalemate will then open up new revolutionary perspectives, and that, however long the punches have to be pulled, the party must remain ever ready to spring to decisive action.

The rejection of Stalin may even strengthen the French party. Logically, M. Thorez and his accomplices, having lost their face, should lose their power. But although Communist intellectuals may now be suffering agonies of ridicule, ridicule does not kill, and it may be more than compensated for by new freedom of thought. Stripped of its tragi-comic cults, communism could exercise a still greater attraction on the Parisian left bank. Above all, the social conditions which have enabled the party to claim the allegiance of one Frenchman in four cannot be eliminated while the government remains preoccupied with Algeria.

The party should thus have ample time to recover from its crisis. It has advanced quite successfully over

the last few years. In 1952 the Communists were the untouchables of French politics. Since then the conflict over the EDC, Dien Bien Phu, the new Soviet tactics, and various battles on the domestic economic front have helped them to inch their way towards the centre of the stage. But it is a long road from untouchability to "united action" with the Socialists, and in normal circumstances much more subterranean growth, much

more erosion and many more rays of the new Soviet sun would be needed before this phenomenon could even see the light of day. Yet in the hot-house conditions of an acute Algerian crisis something very like a "popular front"—under that, or any other, name—may blossom rapidly, and the growing plant may throw its shadow over Western Europe. So much in France and Europe seems to hinge on Algeria.

The General Strike of 1962

(A chapter from "A School Social History of Britain for Middle Forms," published by HMSO [Standard Textbook Division], in 1986.)

EVEN in the late 1950s the Labour Party, confident of power as the first Eden ministry disintegrated, remained strangely blind to the possibilities of a middle-class general strike, though it had only to re-read the history of the years 1923-26—and to substitute the words "middle class" for "working class"—to foresee the upheaval. The welfare state and nationalisation had long been developing professional associations along lines analogous to the growth of trade unions after 1870—but far more rapidly. Increasingly frequent and crude demands by doctors and dentists for new "awards," for example, followed the establishment of the state health service in 1948. The real leaders in this movement, however, were the school teachers, already a militant middle-class force by the time Eden took office.

The early professional craft unions were certainly feebly led and fragmented among themselves. But two great events transformed this picture. During the centenary celebrations of the British Medical Association (BMA) in 1957 all the health professions, from doctors to opticians, joined in a single Amalgamated Medical Union (AMU). In 1958, out of a medley of institutes of engineers, scientists and technologists, was formed the Technological and General Boffins' Union (T & GBU). These new "massed brainpower unions" gave the middle-class struggle a new punch; but even when all the professional associations were affiliated to a central body, the Congress of Professional Associations, blatantly modelled on the TUC, Labour politicians paid little heed. Perhaps this was because it was formed too late to play much part in the general election of 1959.

The election, however, had a decisive effect on the CPA and the power-drunk leaders of the massed brainpower unions. Their power was based on the resentment of the middle class at being ground between the upper millstone of inflation and the lower of steeply progressive taxation. The failure of the Tory Government of 1955-59 to help them had, as the memoirs of Lord Luton (formerly Dr Charles Hill) point out, predisposed them to direct action. An inflammatory article on these lines appeared in *The Times* as early as February 27, 1956. The Labour Party manifesto

"Let's Face the Future—Again" confirmed their disillusionment with parliamentary methods. In November, 1959, many middle-class voters stayed away from the polls; and Mr Gaitskell found himself in office with a comfortable majority of 128 (subsequently raised to 131 by three Labour members from Malta).

He was pledged to a considerable extension of the welfare state. He had promised a complete state legal service, and an ambulance service to take patients to their general practitioners. Still more far-reaching, Labour had a mandate to reduce the size of classes in all schools (state and private) to 20, raise the school leaving age to 18, and to provide free university training for all who wanted it. For the middle classes this obviously meant yet another round of inflation and taxation. It meant, too, an extension of professional overwork, which had become as much the bane of middle-class existence as was unemployment of working-class life in the pre-Keynes era. The higher civil servants faced the ardours of another frenzy of scrambled legislation; the doctors would have to work all hours; the lawyers would soon have queues in the chambers without additional fees; and *The Economist* calculated that to meet the demands of the Standard State Instruction Bill, school and university teachers would have to work an 8-hour day, 11½ months of the year, the school terms being divided into alternate shifts. The professional engineers, who had of course absorbed the old Colliery Managers' Association, knew just what they were in for.

The first blow was struck soon after the election. Mr Gaitskell had hardly had his first row with his party, and was busy denying rumours that he would be out of the premiership within six months of getting into it, when the NUT tried to sabotage the projected Education Act with its "overbid" for higher pay and pensions, shorter hours and "conditions of service for all teachers at parity with the best in the public schools and older universities." After fruitless negotiations throughout 1960, Mr Michael Stewart, the Minister of Education, broke off the talks and the teachers came out at Christmas.

The Government, exasperated at what it naïvely called the teachers' "treachery," announced that while regretting the inconvenience to the child-rearing public,

it could not allow the pedagogues to usurp its function in deciding what was best for the country. The CPA replied that it would give the teachers — “heroically leading the van of the class-struggle”—full support, including an enormous number of private tutorships. “Let every middle-class family employ a tutor” was no idle slogan, and when the Law Society further tried to force the government to prosecute parents who failed to educate their children under the Schools’ Attendance Act, an indemnity bill had to be rushed through Parliament amid unprecedented scenes, in which the Speaker repeatedly left the chair.

There was no education in 1961, except for middle-class families, and parents suffered terrible hardships; the NSPCC broke down under pressure of cases. But the government was preparing counter-action and announced it in the autumn. It had, it said, completed a scheme to fit the empty classrooms with electronic teachers which would be operated jointly and remotely by the Ministry of Education and the BITA (the combined BBC and ITA television service). The electronic industry would be nationalised and required to manufacture the appliances (“They may bleat, but they won’t beat,” snarled the Headmaster of Rugby).

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This was clearly a challenge to the mighty T & GBU, without whose members’ co-operation it was impossible to mount the greatest piece of automation of all time. All through the appalling Christmas holidays of 1961 (“When God and his angels slept,” as an historian of the time put it), the CPA was in session; in the new year it announced that unless the government dropped its monstrous strike-breaking threat, it would call its entire membership out.

The cabinet was split. Gaitskell was half inclined to listen to ministers like Mr Wilson, the Foreign Secretary, who, fearing the effect of the strike on the American alliance, counselled retreat. But Mr Bevan, the Chancellor of the Exchequer, who, in his latter years, had become an ardent Churchillian, was determined “to face the wicked threat of these misguided men and prove, at whatever cost in blood and treasure, that the nation is greater than the class.” He carried the day, partly because the government believed that, whoever else struck, the doctors would stick to their posts, obedient to their Hippocratic oaths—though three decades of working-class action had swept such mumbo-jumbo into the discard of professional ethics. On January 10th, in the midst of an influenza epidemic and the seasonal power cuts, it learned that its faith was mistaken. At 9 p.m. that evening the nation was told, in a distinctly non-U voice on the radio (all the regular announcers belonged to the T & GBU), that the second general strike had begun.

It was conducted on both sides with exemplary British good humour. At its height a (rugby) football match was played between the police and the strikers.

But it inflicted great suffering, and only the endurance of the British working man, and his readiness to try his hand at anything (after an emergency relaxation of trade union rules on job-demarcation) saved the nation from chaos. Bevan was its true voice and the hero of the hour. Himself caught by the strike in the midst of a course of dental treatment, he was everywhere where the fight was thickest, his jaw bound up in a silk scarf, rallying the people in more than usually Churchillian tones. Factory first aid was a crude substitute for state-doctoring; teeth were extracted by anglo-saxon methods; in Whitehall clerks speeded up state business by transferring files from in to out-trays without the intervening ritual of minuting. By general working-class consent the only professional service for which no emergency provision was made was that of the law courts. The officers of the armed forces, despite some unmannerly taunting, stayed loyal.

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Even so, the strikers might have won, with incalculable consequences, had not the government received help from an unexpected quarter. The strike roused intense excitement abroad. The Americans backed the strikers; the government enjoyed uncomfortably the support of Russia. But there was no attempt to intervene directly until Pandit Nehru, the Prime Minister of India, decided that this was one dispute in which he could not stay neutralist. As it happened, he possessed an enormous stockpile of professional talent, which had been produced for years by the Indian universities in bulk; it had votes, but no jobs. Nehru saw his opportunity. In a famous telegram, sympathising with British sufferings, he offered Gaitskell 85,000 doctors, 270,000 certificated engineers, 700,000 senior civil servants and 550,000 teachers, delivery to begin within 24 hours by air, and the balance to be completed as fast as transport could be chartered or commandeered.

It was not necessary for Gaitskell to accept this offer. It frightened the strikers and the working-class about equally. Britons, so long estranged, stared into each other’s faces with a new understanding, and next day the CPA leaders went to Downing Street. The strike was over. It was not, however, in vain. Though the pledge of “no victimisation” was broken by the government with the passage of the Professional Associations (Conspiracy) Act in 1963, the nation had learnt a new respect for its brainpower. By tying middle-class salaries to the cost of living, the government shrewdly removed one of the biggest middle-class grievances while, at the same stroke, converting the trade unions decisively to wage restraint. This did not save Gaitskell from the swing of the pendulum in 1964; but it earns him an honoured place with Stanley Baldwin and Benjamin Disraeli among British prime ministers who have striven to make us “one nation.”

German Eyes on Developing Nations

THE Soviet economic offensive in Asia and Africa has nowhere aroused more concern than in Western Germany. For all their fantastic successes, not all German exporters feel secure. Many businessmen, remembering the violent ups and downs of the country’s economy in the past, still visualise a slump round the corner; and the German capital goods industries see their big future markets in precisely the new developing countries on which Russia and its satellites are focusing their efforts. The prominent part allotted to East Germany gives the Soviet campaign a special sting. In Chile, for example, where West German exports have been cramped for some time by payments difficulties, a delegation from East Berlin has used the good reputation of West German products to further its own exports: “We can produce the same things as Western Germany, but cheaper and quicker, and we will buy your goods to enable you to pay.”

Some of the more grandiose ideas put up by German industry for meeting communist competition have already faded into obscurity. The most practical proposals to date have been those advanced by Herr Berg, head of the Federation of German Industries, on his recent return from a tour of Southern Asia. One is a project, long pressed by German industry, for a new bank to finance cheap credits for exports on a long term basis. The balance sheets of most German firms still bear the mark of currency reform in the shape of very small liquid reserves, and with the discount rate at 5½ per cent and long term bank credits costing up to 10-11 per cent, their difficulty is clear. The Export Credit Corporation, financed by bank and public money, provides credits up to four years; but last year, with its funds almost exhausted, it was forced to cut back its grants of new credits by a third. And no state institution supplies long term funds at all. Germans have seen how the Export-Import Bank has helped United States exports to Latin America in years of dollar shortage, and Herr Berg has reported Russian credit offers for up to 20 years.

The snag here is obvious. The new bank which Herr Berg hopes to see set up to finance export credits would, he suggests, get DM 4-600 million from the state to start with, but after that would depend on Germany’s pathetically small capital market—and its requirements would diminish the small resources available for normal needs. The Federal government’s present policy is designed not to increase the liquidity of the capital market, but to check the pressure of monetary demand. Professor Erhard declared last week that this is not the moment for additional export incentives; for Germany’s really pressing problem, which will grow more intense when rearmament gets under way, is to curtail demand.

Herr Berg’s second important proposal is that more technicians from the developing countries should be

offered training in Germany—an old point given new force by the prominence of training arrangements in Soviet bloc contracts. The Russians have already, it seems, undertaken to train 500 Indian engineers, 300 skilled and 4,500 unskilled workers. The opportunities for indoctrination here are obvious. But there is also a straightforward economic issue. Britain and Germany can no longer hope to rival the United States as a capital exporter; instead they must rely largely on the export of skills—on training foreign engineers and technicians, making lasting contacts with them and accustoming them to their products. At present Britain perhaps does more than Germany in this way. Big firms in both countries have long trained graduate apprentices from overseas, but the numbers are pathetically small. Russia’s immense educational investment could make the training, and simultaneous indoctrination, of foreign technicians one of its chief weapons.

The third major recommendation voiced by Herr Berg is that German firms should not dissipate their strength by competing against each other in tough foreign markets, but should combine. The proposal has disquieting echoes of earlier German export cartels; but the background today is different, and so, in part at least, is the aim. Many modern development projects are too big for single firms, even for the giants of the Ruhr. Moreover, the proposal for combined action now is meant to meet the particular challenge, usually political in purpose, of a huge monopolistic international machine which can tender below cost and can offer to buy any product in exchange. Herr Berg’s first proposal was for teamwork by German industry alone—although he has spoken this week in favour of international co-operation. The Federal government, for its part, feels that the Soviet challenge can be met only by a joint western effort; and when Professor Erhard came to London recently he came in the hope of developing a common programme. At any rate, it is felt, when a major contract takes on an openly political complexion, a joint western effort should be made to tender cheaply; another vital form of co-operation is the development of international consortia capable of making comprehensive tenders for big projects like steel industries and dams; a third is a more efficient exchange of information between western countries, including information about Soviet trade tactics.

British reactions to these ideas have not been enthusiastic. There is a feeling that industry has already shown itself capable of getting together when faced with a huge project which, like the Aswan dam, is clearly beyond the scope of one industrial country. Apart from such cases, industry can fairly argue that competition, plus the normal exchange of technical information through licensing arrangements, will pro-

duce a more vigorous and lasting western answer to Soviet competition than any elaborate get-together. Some British businessmen believe that alarm over the Russian trade drive has been overdone. Yet if the communist bloc's tactics really begin to endanger western trade in key areas, and if at the same time the pressure of demand on British heavy industries eases, this attitude may have to be somewhat modified in certain respects. Permanent arrangements for dividing markets should be ruled out from the start, but British industry might well gain if it was more alert to the possibilities of *ad hoc* international collaboration on big development schemes.

Something could also be done on the political plane to turn to good account German aspirations to work together with other western countries in helping the "new nations" of Asia and Africa. The recent proposals to develop the economic side of Nato are unlikely to come to very much; but one other existing organisation might provide a useful outlet for German energies—the Colombo Plan. German participation in the Colombo Plan could make a valuable contribution to Asian development.

But some fundamentals must be kept in mind. The trading nations of the West are obviously interested in maintaining and expanding their trade wherever it

benefits all concerned; but it should not be their aim to prevent under-developed countries from getting any economic aid from the Soviet bloc. On the contrary, if and when communist regimes supply material or services, free or below cost, and without political strings, to "new nations" in Asia or elsewhere, the whole free world gains thereby.

Concerted arrangements, pooled finances, large-scale training programmes and the like are legitimate and probably essential devices if there is to be a fair commercial contest with the Moscow-run international "consortium"—the biggest the world has ever known. But these devices ought not to be used to the detriment of the "new nations." Nor should they be conceived as means of keeping those nations away from any safe and profitable trade with communist countries. Above all, there should be no question of the West rushing in with frantic give-away offers whenever a communist government comes forward with a proposition that means stinting its own subjects and benefiting a free Asian, African or Latin-American country. It is high time the Soviet bloc was held responsible for shouldering a fair share of the burden of aiding under-developed areas. In aid as in trade the basic principles of western policy *vis-à-vis* the communist powers ought to be fair play and reciprocity.

Notes of the Week

Singapore Aftermath

MR LENNOX-BOYD's rejection of Mr Marshall's post-conference proposals was understandable. Mr Marshall finally conceded almost all the safeguards the British Government sought for the security of Singapore, stipulating only that orders in council issued on the recommendation of the proposed joint security council must be approved subsequently by the House of Commons. But even before he made this offer Mr Lee Kuan Yew of the left-wing People's Action Party (PAP) had angrily repudiated it as total surrender; and not even the Liberal Socialist group, which stands to the right of Mr Marshall's Labour Front, attended the last tea-party. Mr Lennox-Boyd found himself treating with Mr Marshall, not with the whole Singapore delegation; and it was already obvious that the PAP had seized the opportunity to turn Mr Marshall into a figure of contempt and put themselves forward as the real representatives of the island. Mr Lee Kuan Yew's reception on his return to Singapore leaves little doubt that his enemies as well as his friends now see him as the future Chief Minister.

Whether he will achieve this position depends on a number of factors, some of which are examined in an article by our Singapore correspondent on page 801. But it is not yet certain that Mr Marshall will resign; after his visit to Delhi he may arrive in Singapore with a "mandate" from Mr Nehru to continue in power on some new and unforeseen basis. The Singapore legislature may now regroup in two parties, one prepared to work the present constitution, determined to avoid elections, and ready to reopen negotiations with a view to accepting the British offer, the other based on the PAP. Mr Lee Kuan Yew has made it plain that he wants to get into power quickly in order to "jam" the constitution by "legal and constitutional" methods. But however long it takes him, it is clear that he will now organise rapidly, and that when an election is held the Government may well face a situation not unlike that of British Guiana.

In the short time that still remains the Government should urgently reconsider two points. First, can it make a new approach to Tengku Abdul Rahman about bringing Singapore into the Federation of Malaya? Second, just how valuable is the Singapore base—and for how many years ahead?

From Messina to Venice

MUCH less has been heard of the proposal for a common market in Western Europe (described on page 803) than of "Euratom," the sister project for a six-nation atomic energy community. Euratom conjures up visions of a bright new future; but the words "common market" merely suggest long and tedious discussions about customs unions. Moreover, Euratom is now conceded to be at least a starter; but even the hardiest optimists doubt whether the "common market" plan can clear the highest hurdle ahead of it—French opposition. Again, while there has been American encouragement for Euratom and enough British tolerance to raise hopes of something more once Euratom is established, its sister plan has met with American silence and British strictures.

Next week in Venice both schemes will be formally presented by M. Spaak to the foreign ministers of the six countries that gave him his mandate at Messina almost a year ago. Even if, as is expected, his report proves generally acceptable as a basis for further action, two problems have still to be resolved. First, what is to be done about the military use of atomic energy? Second, how tightly should action on Euratom be tied to action on the common market? The French attitude to both questions is crucial. Under the 1954 Paris agreements, Germany has given up her right to produce atomic weapons. If France now joins in a similar renunciation there is some chance that, at least in Western Europe, atomic disarmament will have begun; and Euratom will be launched without any taint of discrimination. The problem of Euratom's link with the common market can of course be dodged for the time being by calling for drafting conventions on both treaties to begin their work, leaving open the question of what happens next. But the question of French readiness to undertake, and ability to live up to, the commitments in the common market plan will not be settled by drafting a treaty.

Until recently the British attitude to the common market has varied only between implacable opposition and ill-concealed relief at French hesitations. Recently, however, some small cracks have appeared in this wall of complacency. The road from the decision to call a drafting convention to the ratification of a treaty will be a long one, and it is still not too late for British second thoughts. The French will get the blame if the common market plan is stifled by discouragement, but the fault will not have been entirely theirs.

Freedom of the Air

SHORTLY after the Whitsun recess the country should presumably expect the report of the Select Committee of the House of Commons which is examining the "14 Day Rule" and other Parliamentary restrictions on broadcast and television discussions. It is still right to insist that the whole principle behind these restrictions—that Parliament should stop free discussion on the air of subjects that it is about to debate itself—is quite improper;

the elastic concept of the "dignity of Parliament" is being stretched to placate the undignified jealousy of untelegenic MPs, who are not invited to take part in these discussions, against those who are. But since the committee is clearly not going to find it possible to beat a full retreat, three points should now be made about any "compromises" on which it may be ruminating.

First, and least illiberally, if there is any shadow of a case for these restrictions, it can only be a case for restricting the part that MPs play on the air; Parliament has no real right to restrict what private citizens say, whether or not a microphone is listening in to their conversation. Secondly, restrictions—of this or any other sort—can only be workable if they apply to subjects that have been announced on the previous Thursday (in the weekly statement on the business of the House) as having been set down for Commons debate in that week; even then they should not apply to broadcasts where scripts have been prepared before the relevant Thursday—especially, for example, if they are part of a broadcast series. Thirdly, and most important, whatever restrictions the committee suggests, it should not lay down that the House itself will see that they are enforced—for example, by raising rumpuses at question time. The House is not a court of justice fitted to examine alleged transgressions of its own rules; the job of seeing that acceptable restrictions are obeyed is the job of the Governors and Director General of the BBC and their ITA counterparts. There is unfortunately the prospect of a sultry row on the 14 day rule this summer. The calm that has surrounded the subject since it was thrown into select committee is deceptive. Before the selected MPs publish their report, they should be reminded again that feelings on the matter, in what are usually considered to be the calmest circles, run surprisingly bitter and deep.

Yorkshire Shows the Way

MR SANDYS, who must shortly present his plans for the reorganisation of local government, has just been provided with a rare example of local initiative. The county council of the West Riding of Yorkshire is considering recommending that it should be split into two, thereby creating the terminological inexactitude of a fourth riding. No large local authority has ever before contemplated its own dissolution, but this particular operation would be fairly painless and would conform with a recommendation made nine years ago by the Local Government Boundaries Commission. The West Riding is the longest county from end to end and has 1,600,000 inhabitants, making it the most populous county (apart from Lancashire) outside the London area. It divides naturally into the two areas specialising in coal and textiles. Partition would mean less travelling for the councillors, and would probably make local government less "remote" without upsetting its administrative efficiency. The two new units would still be much larger and stronger than the average county.

There is therefore a great deal to be said for the proposal. Unfortunately, however, it does not provide a good guiding light for Mr Sandys's broader tasks—and for two reasons. One is a fault in the scheme itself. Any reorganisation plan—particularly in a populous area

such as the West Riding—is not likely to be very lasting or effective unless it deals also with the much more prickly issues concerning the relationship of the county to its larger towns. On this issue, the councillors of the West Riding have nothing new to suggest. The other defect is that the West Riding is not a typical case. Basically it is much more necessary and difficult to secure amalgamations of the smaller counties than to thin the few large ones that may perhaps be overgrown.

The continued difficulties of getting an agreed solution to these broader issues will (it is rumoured) cause Mr Sandys to confine his coming proposals to a rather narrow front. Such an approach would inevitably involve shelving the weary conflicts of the larger authorities—possibly by creating a few more county boroughs and then closing the lists for a longish period—and concentrating on the overhaul of the small ones. But the counties and county boroughs are today the real powers in local government, and their shortcomings and conflicts are the prime cause of the system's inefficiency. The stirrings in Yorkshire, like the earlier agitation for a Manchester County Council, show that some authorities themselves now appreciate the need for substantial changes. Is it too late to urge Mr Sandys that he should heed these stirrings and produce (even at the cost of a little more delay and a lot more fuss) the really effective lead which is bound to displease some of the local authority associations—but which everyone else knows to be necessary?

Russian Workers Shed Some Chains

SOVIET labour policy is undergoing encouraging changes. An important step in this direction is the new decree on pensions. The previous scheme for old-age pensions favoured only the privileged income groups, monthly payments at the lower end of the scale being so small that they barely provided a few days' maintenance. Now the whole system is being overhauled and the minimum is to be brought up to 300 roubles, while higher pensions are cut down. Lower charges at holiday resorts, hitherto often prohibitive for the mass of the workers, represent another blow at existing privileges. This, and the campaign against undue wage differentiation, seem to show that equality is no longer a fatal heresy.

Even more welcome to Soviet workers must have been the lifting of the regulations that tied them to their place of employment. Until now, to change one's job without official consent was punishable by jail or "corrective labour"; the planners in Moscow insisted that they needed this weapon to resist labour "fluidity," their greatest headache in the early days of Soviet industrialisation. Now, it seems, two weeks' notice will be enough to protect the restive worker from the arm of the law.

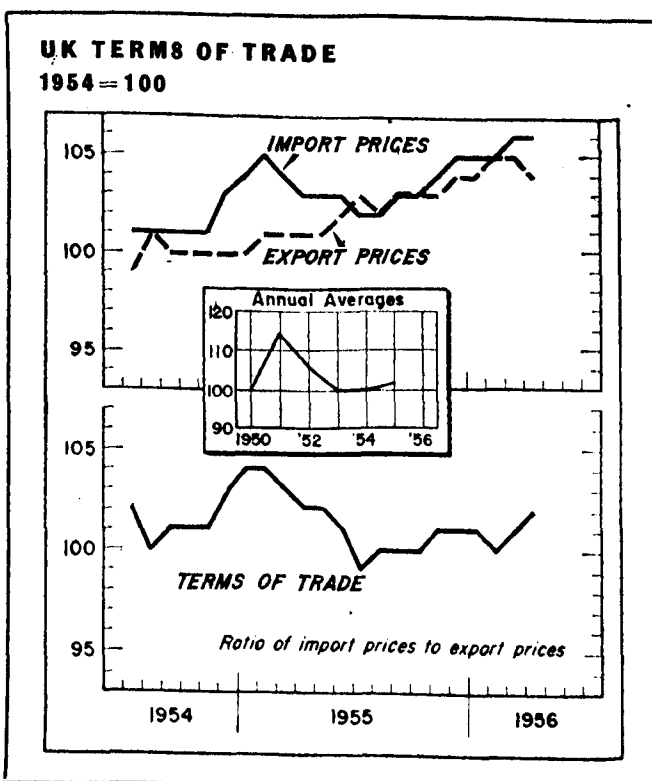
Yet these controls are being relaxed at a time when the need for direction of labour is certainly not decreasing. If 1,200,000 servicemen are really to be demobilised they will have to be steered to wherever their labour will be most productive. Siberia still calls out for new recruits—and some of its former inhabitants, surviving inmates of concentration camps, are apparently migrating in the opposite direction. An appeal has just been issued for

500,000 volunteers for pioneer work in the bleak east. They are being told about the hardships ahead of them with unprecedented frankness. Russia's new leaders seem to be reaching the conclusion that, in a modern industrial society, improving conditions and genuine pioneer enthusiasm are better prime movers than coercion. Siberia may provide a stiff test for these new ideas.

Jordan and British Money

UPSETS in Amman please no one, except the war party in Israel and the Egyptian and Saudi factions that hope to make Jordan a satellite. So western friends of its independence read with anxiety of another cabinet crisis, and of a court martial which suggests quarrels within the army (an article on its condition since the departure of General Glubb appears on page 802). The late cabinet resigned because it could not work with a king or an officer corps that took political decisions behind its back; its successor may be more tractable, but is still bound to come up against Jordan's basic problem—where to turn for the huge subsidy without which the country cannot survive.

Since Jordan became independent in 1948, this money has come almost entirely from Britain. The British have obtained military facilities, plus an ally with a tiny but reliable army; the Jordanians, funds amounting to just under half their exchequer receipts, plus a mutual defence arrangement that mitigates their vulnerability to attack by Israel. The Glubb affair was ample evidence that large sections of local opinion resent the British connection. Many of the critics simply do not realise that dependence on some foreign benefactor is inescapable for Jordan at present. Of the few who do, many think that an Arab

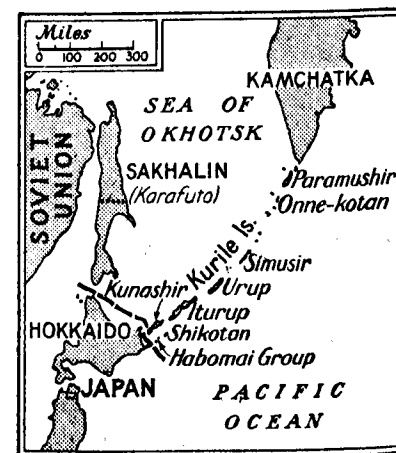


source would be less tainted. Only a tiny minority reflect that Arab investors expect a much bigger return for their money than do westerners, and that a Saudi lender, however cousinly his initial approach, would thereafter exact far more subservience than does Britain. The new premier has not yet committed himself, beyond refusing to include in his cabinet certain socialists who stipulated that, if they were to serve, the British subsidy must either cease or else be paid over unconditionally.

If advocates of revising the Anglo-Jordanian treaty influence the new government, British voices, too, will be entitled to speak up. In the past, the British taxpayer has paid his annual quota to the Arab Legion without demur because he saw it going to a willing and reliable ally. He was ready to pay a high price for the military facilities he asked in return because, though about half the sum went straight into Jordanian pay packets, the rest meant orders in Britain for arms and equipment. He would feel very differently if Jordan asked for an undiminished subscription to a lukewarm ally, and for the right to spend his money anywhere it wished. Why should he pay for armaments chosen by Egyptian advisers with a weakness for Czech guns and MIGs?

Japan Pays Dear for Salmon

JAPANESE fishing boats will be able to sail north to the Siberian coast once more this summer, but the salmon they bring home may be the dearest the Japanese have ever caught. Mr Kono, the minister of agriculture, who has been to Moscow to try to soften the restrictions the Russians recently imposed, set out with the brave assurance that he would talk about nothing except fisheries; but politics have kept creeping in. The agreement signed last week does not take effect until either a peace treaty has been concluded between the two countries or Japan agrees to restore diplomatic relations. The Russians at first insisted on the same conditions even for a temporary arrangement covering this summer's fishing season. Mr Kono, after threatening to go home, eventually won this point, but the provisional agreement will stir little enthusiasm in Japanese hearts. It limits Japanese catches in the area to



65,000 tons, at least 15,000 tons less than the fishing industry wanted, and this may involve the government in an expensive compensation programme. Apparently the unofficial Soviet mission in Tokyo, which Japan has long pretended does not exist, is also to scrutinise the issue of fishing licences—thus taking a long stride towards official recognition.

Nor is this all. In the communiqué signed at the end of the talks Mr Kono virtually committed his government to resume the peace treaty talks before the end of July. The

fishing industry has a powerful lobby in Tokyo, and, as it has no wish to face the 1957 season with a Russian sword of Damocles hanging over its head, it will press hard for a quick settlement. Already there are indications that Mr Hatoyama is swinging with the tide. It is rumoured in Tokyo that he may soon drop Mr Shigemitsu, his foreign minister, who was chiefly responsible for the firm Japanese attitude at the recent London talks. Mr Hatoyama and Mr Kono would then be free to push ahead with their own policy. They might choose to drop Japan's claim to the southern Kuriles, and settle for the return of the tiny Habomai and Shikotan islands; or they might adopt the "Adenauer formula"—that is, simply end the state of war, exchange ambassadors, and leave other questions open. In either case, the real price of entry into the salmon grounds off Kamchatka is likely to be the quiet dropping of Japan's claims to most of the extensive territory the Russians took from it in 1945.

Procedure of the House

TWO quite distinct issues are raised in the suggestion by Mr Ellis Smith and other Labour MPs that the Government should set up a select committee on certain procedural problems of the House. Attention has focused chiefly on the more trivial point: the special rights of Privy Councillors. There is a custom in the Commons that whenever a Privy Councillor gets to his feet, even if he has walked in only a minute before, he must be called at once, irrespective of how many backbenchers have been waiting and for how long. This custom—although it has the advantage that, as former Ministers, Privy Councillors should have specially knowledgeable contributions to make—suffers in practice from two obvious defects: it is bound to break down if too many of the elite take advantage of it, and it makes no distinction between, say, a Morrison and a Bellenger. The Speaker has ruled that because the custom is of great antiquity, it can only be changed by a vote of the House. The solution is obvious; ex-Ministers should be given priority only in debates affecting their old depart-

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ments. In practice the House would still be willing to hear a Morrison on most subjects, but then there are few subjects over which a Morrison has not; at some time or other, had some ministerial responsibility.

Far more important is Mr Smith's second point: that the proposed select committee should consider other suggestions for facilitating Commons business, particularly the voting of credit and the need for a detailed examination of departmental expenditure. This reflects growing concern at the way supply days, which should in theory be devoted to scrutinising estimates, are in fact often being taken formally, and the time devoted to set debates. Whatever one thinks of the record of the Select Committee on Estimates, there is little point in having a watchdog if the

THE ECONOMIST, MAY 26, 1956

householder does not bother to listen for his bark—and if administrative problems are not put under periodic broad review. MPs have dropped into the habit of taking little interest in the less spectacular areas of Whitehall. There is at last the prospect of an overdue debate on the Home Office, but what about some other departments? There have been many debates on coal, but few on the work of the Ministry of Fuel itself. There has been much discussion about aircraft and surplus paint, but little about the Ministry of Supply as such. Now that Parliament has more or less settled into its new peacetime pattern, the time may well be ripe for a new inquiry into the procedural machinery through which such debates can be initiated—and into its present disuse.

The Road Traffic Bill

NEXT Wednesday and Thursday the Commons will consider the report stage of the Road Traffic Bill, and certain new amendments will be introduced to it. This Bill has gone through so many vicissitudes that a summary of, and some comments on, its major provisions may be useful. It is a miscellaneous Bill designed to fill up gaps in the Minister's present powers, to remove anomalies, and to introduce some new devices to improve traffic conditions.

(1) *Vehicle Testing.* This is now in two clauses: (1) virtually the original clause, at one time abandoned by the Government, which gives the Minister power to designate private garages as well as local authorities to test vehicles over 10 years old (or of any prescribed age); (2) the "spot check" arrangement, originally devised as a substitute for garage testing, under which cars can be stopped by police and tested by Ministry inspectors on the roads. Both clauses are open to abuse, but much time has been devoted—in part, successfully—to trying to introduce safeguards into them.

(2) *Dangerous Driving.* Clause 7 introduces a new category of offence between manslaughter and dangerous driving, namely "causing death by reckless or dangerous driving of a motor vehicle," which is designed to overcome the reluctance of juries to convict for manslaughter. This is a very silly clause. A driver's punishment should vary in accord with the danger of his driving, not in accord with the lottery of whether he knocks down a victim with a thin skull instead of a thick one; since the penalty under this clause can be a long term of imprisonment, juries will not be more willing to convict merely because the horrid word "manslaughter" is removed from the indictment. Clause 8, a much better clause, is intended to overcome the anomaly of "being drunk in charge" when the person in charge of the car is not in the car or has surrendered his ignition key.

(3) *Dangerous Cycling.* Clause 9 applies the laws of dangerous driving to cyclists. About time, too.

(4) *Jay Walking.* Clause 10 gives limited police powers over pedestrians—a policeman actually regulating traffic can give instructions to pedestrians who commit an offence if they disregard them (and an offence also if they refuse their names and addresses.)

(5) *Driving Licences.* Clause 11 provides that a person who has had a provisional licence for 12 months and applies for another in the 13th month can be required by a licensing authority to prove that he has attempted the test or has had good reason for not doing so (this clause is aimed at motor cyclists who take out a succession of provisional licences without taking the test). The Minister will put forward an amendment to enable him to allow local authorities to issue driving licences valid for 3 years for 15s. The main trouble about these clauses is that they do not give the Minister the right freely to vary charges for driving tests and licences; Governments ought to be able to charge economic prices for such specific services as driving tests, as and when costs or the length of queues change, without having to go through all the paraphernalia of a new Bill.

(6) *Parking.* Clauses 12 to 17 introduce for the first time the principle that the use of the highway for parking may be charged for. It is designed to encourage local authorities to introduce parking schemes and thereby encourage off-street parking; the Minister is seeking a further amendment to permit him to step in and start a scheme of his own in any area and hand it over to the local authority on agreed terms. These clauses apply only to the metropolitan police area and the City; but an order to apply them to any other area can be made on the request of a local authority. The clauses also empower the Minister to survey the streets, designate no-parking streets, short and long period parking streets and to fix charges and install meters; and they provide (rather too rigidly) that all money collected must be used to provide off-street parking after costs have been met.

(7) *Taking Numbers.* Clauses 18 to 22 codify but do not add to penalties. Clause 23 provides that a policeman may in London, as in the provinces, take the number of a car which is breaking London traffic regulations; he need not wait for the driver to arrive.

(8) *Police Traffic Schemes.* Clauses 24-26 empower the police to make experimental schemes in London for traffic diversion, etc., for twelve months (after that the Minister's approval must be obtained); and to put up signs generally.

(9) *Coaches and Lorries.* Clauses 27-28 define what is a "private party" and a "special occasion," to clarify the law requiring coach operators to have a public service vehicle licence when contracting for the latter type of outing but not the former. There ought to have been a much more wholesale reform than this of the whole question of these differential licences, which have become something of a ramp to restrict competition. Clause 29 defines as a goods vehicle any vehicle adapted to carry goods whether it is carrying them or is travelling empty—so that the speed regulation shall apply to empty lorries. The Minister will resist an amendment by Mr Nabarro to raise the speed limit on goods vehicles from 20 mph to 30 mph at this stage and in this Bill. He should be pressed to say why. The 20 mph speed limit for goods vehicles is never enforced at the moment; the sole reason for retaining it is that the lorry drivers have made it clear that they would resist Mr Nabarro's amendment. This is because schedules drawn up on the basis of this nominal 20 mph limit allow them more time to spend in cafés.

(10) *Miscellaneous.* Many clauses in the Bill deal with machinery and legal tidying up. Among the general provisions, Clause 30 ends the situation in which provision of street lighting automatically classified a road as in a built-up area to which the 30 mph speed limit applied. Clause 31 permits the Minister to experiment with the regulation of pedestrians at road crossings.

THE ECONOMIST, MAY 26, 1956



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Money to Burn

A REMARKABLE piece of information was hidden away among the written answers to Parliamentary questions in one of the last *Hansards* before the Whitsun recess. The Ministry of Fuel revealed that in 1955 the National Coal Board issued 5.1 million tons of free or concessionary coal to the 630,000 of its employees (usually householders) who were entitled to it. This works out at over 8 tons each. The ordinary domestic consumer, struggling—though no longer with desperation—on his ration (34 cwt per household in the south of England, and 2½ tons north of a line drawn from the Severn to the Wash), will be mystified how the miners manage to get through so much. Most miners' cottages have old-fashioned and inefficient kitchen ranges, which by tradition are kept alight night and day, winter and summer. But this one fire heats the kitchen-parlour and the water and is used for cooking. It can hardly by itself consume eight tons. The blunt fact is that a great deal of this free and concessionary coal—for which the average price to the miner is rather over 10s. a ton—is sold to fortunate local people at less than the market price.

It may be asked why the National Coal Board tolerates such extraordinary arrangements, which encourage the waste of coal, subsidise local consumers who buy the miners' surplus, and which disposed, in 1955, of nearly half as much coal as had to be imported. The explanation is that these are not national but mostly colliery agreements, survivals from the days when private companies had lots of coal and little money. Since nationalisation, however, the Board has acquiesced in the view that a privilege once given can never be taken away; it has even extended the system to Lancashire and Cumberland, where formerly the miners had no concessionary coal and where they now get 6 tons a year per household. It is true that in some places the miners now have an agreement to sell their coal back to the Board, and it is then distributed in the ordinary way—and not included in the 5.1 million tons. Sometimes the Board has installed modern grates in the miners' cottages and induced the tenants to accept a consequential cut in their concessionary coal. But these are purely local arrangements. The Board has some hope of bringing about rationalisation on a national scale through the current negotiations about the wages structure. But this might merely mean that the lowest allocations are brought up towards the level of the highest—and some miners are getting 12 tons of coal each. For a coal-importing country, this nonsense has become intolerable. The Board should withdraw the privilege at once, and increase miners' wages in exact compensation.

Korea's Odd Man In

SOUTH KOREA'S rather macabre presidential election, in which one candidate was a corpse, has paradoxically proved one of the most encouraging events there since the armistice. Something recognisably like a free election appears to have been held. Dr Syngman Rhee defeated

both his live and dead opponents, as was expected and probably also desirable; he still has no real rival as an efficient and upright administrator, especially since Mr Shinicky's sudden death in a campaign train, and his periodic outbursts of blood and thunder are gradually growing less horrific. But his overall majority was a narrow one, and although there have been several reports of intimidation and police interference at the polls, it is clear that, in the towns at least, people were not frightened to vote against him if they wanted to. The biggest surprise, however, was the defeat of Dr Rhee's nominee for the vice-presidency, who went down before the Democratic candidate, Mr Chang Myun. The interesting point is that Dr Rhee's Liberal party apparently resisted any temptation to "fix" the counting of votes in the town of Taegu, on which the vice-presidential issue hinged for three days, even after it became clear that they were likely to be beaten.

Mr Chang, who was left to carry his party's banner alone after Mr Shinicky died, is a Catholic with a reputation for honesty, and has had experience both as premier and as Korean ambassador in Washington. His relations with Dr Rhee have not always been idyllic; he has once before had to go into hiding when the president accused him of favouring peaceful negotiations with the communist regime in the north. Both men will have to move cautiously if the experiment of having a president from one party and a vice-president from another is to work. Dr Rhee has recently been showing signs of his years, and it would be tempting for him, in face of the growing opposition revealed by the election, to relax some of the policies that might increase his unpopularity—notably the attempt to collect taxes efficiently and to balance South Korea's swollen budget. If Mr Chang were foolishly partisan he might press for the same kind of measures. But the best hope for Korea—and for its statesmen—in the long run is to put the economy on a healthier basis. Nothing is likely to kill the first shoots of democracy more swiftly than the hot winds of inflation.

The End of the Affaire?

THE Paris trial arising from the *affaire des fuites* has ended after ten stormy weeks, but it has not shed much new light. (The fact that keeping secrets is even more difficult in Paris than elsewhere was no revelation.) The famous leakages from the defence cabinet in 1954 occurred at a time when they could no longer affect the course of the war in Indo-China. Nothing in the trial indicated that any information actually reached the enemy via the French Communist party; instead the impression was confirmed that the chief effect of the leakages was to furnish party-political ammunition for the friends of the policemen for whom M. Baranès, a journalist acquitted in this trial, acted as informer. The two officials who were given stiffer sentences than the prosecution demanded may well feel that they fell victims in a political battle.

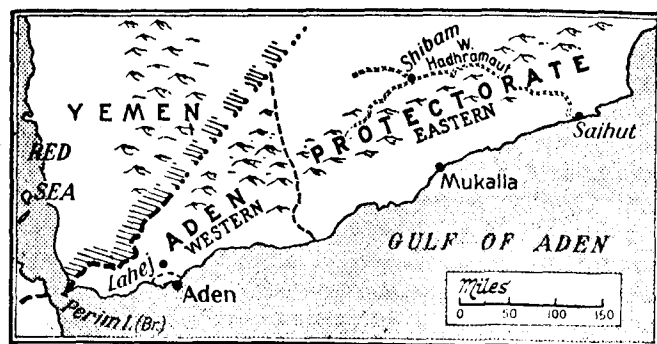
In fact the trial, like the preceding scandal, took the shape of a vendetta against M. Mendès-France, in which his personal enemies were joined by men hostile to the entire regime. M. Tixier-Vignancour, one of the "young Turks" of Vichy and now a deputy of the extreme Right, nominally the counsel of M. Baranès. In practice he virtu

directed the operations of the military tribunal, and was given wide scope for name-calling and insinuations. The intention seemed to be not so much to settle old scores over Indo-China, but to frighten those who advocate a liberal solution for Algeria.

It is now clear that the secrets which "leaked" were subsequently dressed up to create the impression that they had passed through communist hands. As M. Mendès-France was in power at the time, this was an excellent opportunity for his opponents to suggest that he or his ministers were communist stooges. This "patriotic forgery" evokes memories of the Dreyfus case—but Zola might have had difficulty in making his protest before this tribunal. The president, who was surprisingly tolerant to anti-Mendès witnesses, resisted every attempt to probe the political motives behind the case. This trial, with its wild mud-slinging, has undoubtedly done much damage to the Fourth Republic. It will still be necessary to throw more light on the aims of those who flung the mud.

Wrong Lecture for Aden

LET us assume that a commodity called British counter-propaganda is manufactured in the Colonial Office. It is a big assumption. In Aden, two brands of counter-propaganda are required, one in the small and populous colony, the other in the barren protectorate. The latter merely involves countering plain bribery by Yemenis and Saudis—gifts of money and guns with which to shoot the Christians. The former, however, calls for ingenuity and imagination. Neither of these qualities was shown by Lord Lloyd, the Under-Secretary of State for the Colonies, when he addressed the Aden legislative council last weekend. His language was sadly "governessy"; he lectured his audience on being "reasonable" and "sensible," and on their "perfectly legitimate desires"; and he added that self-government must always be limited, as British economic and



strategic commitments would allow no "fundamental relaxation of responsibilities." He gave no sign of recognising that he was up against the first wave of a tide of nationalist emotion and that, unless he offered inspiring counter-attractions, even the pro-British citizens he was addressing would soon become South Arabian nationalists.

Current Egyptian propaganda is heady stuff for groups such as the local "United National Front" (which is left-wing and therefore preaches "affiliation" with the Saudi and Yemeni "people," though not with their present rulers) and for an "All-South Arabia League," the title of which

speaks for itself. But these do not represent the whole of the population. Colonel Nasser's message has so far made little headway with the Arab merchant community, or with the "Aden Association," which would like to preserve a British connection. Why throw such people into the arms of nationalism by the use of chilly, indeed repellent, language? Why not recognise in good time that what confronts enclaves such as Aden is a choice between *Anschluss* with Britain (which no one wants), *enosis* with their Arab cousins, and the full self-government (including partnership in the operation of local enterprises such as the big new refinery) that will attract educated Adenis, and afford them outlets?

White Bread Vindicated

THE terms of reference of the panel on the composition of flour were strictly limited. It was not asked to decide on the relative merits of brown and white bread or on whether "improvers" in flour can cause hysteria in humans as they have been shown to do in dogs. The panel was simply asked to decide whether there was any significant difference, from the point of view of public health, between (1) "National" flour; (2) flour of a lower extraction rate that has been enriched by an artificial addition of two vitamins of the B complex and of iron; and (3) low extraction flour which has not been thus enriched.

At present, the bread on sale to the public is made from one or other of the first two kinds of flour. But since the "National" loaf, made from flour of at least 80 per cent extraction of the wheat grain and which therefore should contain the two vitamins and iron in natural form, is subsidised, it accounts for about 99 per cent of total bread consumption. Having decided to remove this monetary incentive to buy the National loaf from the end of September, the Government then had to decide whether to enforce consumption of the high extraction flour by regulation, whether to compromise or whether to abandon all attempts at preserving the nutritive qualities of flour. In the light of the panel's findings, it has decided to compromise. For the panel is satisfied that flours of less than 80 per cent extraction, provided they are enriched, are just as nutritious as the unenriched 80 per cent extraction flour—though not, according to a table in an appendix to its report, as nutritious as "wholemeal," which is of 95 per cent or higher extraction. Indeed, the panel considers that the amount of essential vitamins in artificially enriched flour may be more stable than in National flour, in which they are supposed to occur in natural form.

Thus, when the subsidy is removed, 80 per cent extraction flour will go with it. Brown bread and flour will still be available to satisfy the small public demand for them; but millers will fall in with the bakers' preference for white flour for the bulk of their products. This, however, will have to be enriched as it is at present. The panel emphasises that the nutrition of a "significant fraction" of the population would fall below what is necessary for good health if white flour were not enriched, and that this fraction includes 10 per cent of the country's children. It is not surprising that before the war, when the practice of enriching white flour had not started and bread was an even more important element in the national diet than it

is today, malnutrition, especially among children, was so widespread. But now there is no official medical objection to the strange British habit of taking much of the goodness out of its bread—because, by another process, most of that goodness is solemnly put back again.

Master Drivers?

IT seems wrong to pour cold water on any proposal which might help to raise the standard of driving and reduce road casualties. That is why the Ministry of Transport may be half-inclined to encourage the private enterprise project of a voluntary "advanced driving test," going beyond the minimum prescribed for new drivers. The idea is that those who earned the diploma and carried the badge of "master-driver" might feel a new sense of pride, and set an example to others both in courtesy on the roads and in the standard of maintenance of their cars.

But there are certain obvious difficulties in the scheme. There is no prospect of the Ministry of Transport being able to operate it; the Ministry is already hard-pressed to find the examiners to deal with the backlog of learner-drivers waiting to take their test. The scheme is apparently envisaged as one to be operated by the driving schools. But this would mean that besides being the firms to benefit from the training and testing by way of fees, they would also provide the board of examiners. The institute sponsoring the project, although it includes a number of MPs, is said to be strongly supported by driving school interests. This would give rise to the suspicion of abuse. It would be quite wrong if the possession of a badge gave the word of a "master-driver" in the witness box greater weight than that of an ordinary driver. It is suggested that insurance rebates to those who had taken the test might encourage a growing number of drivers to take the additional training; at first sight that may seem an excellent idea, but increased rebates for avoidance of accidents probably provide the better incentive. This is a scheme that the Ministry might perhaps view with friendly detachment—but with the emphasis on detachment.

Dotheboys Halls

LAST week two fraudulent schoolmasters were sentenced to terms of imprisonment. Their habit was to buy up one private school after another, fail to pay for it, accept the children's school fees, order goods on credit, and then decamp to do the same again somewhere else. One of them claimed to be a B.Sc. and Ph.D. Actually he was an ex-hotel manager, and his accomplice was a farmer. They had graduated together from Leicester prison.

Stories like this arouse either indignation that there is nothing to stop such people from becoming headmasters, or amazement that parents should be so careless. There are in England and Wales some 5,000 independent schools containing 500,000 pupils. This total includes the great public schools which can offer educational and other advan-

tages not usually to be found in the state system. It also includes schools whose existence depends solely on British snobbery; their only appeal is that, unlike the free council schools, they are not "mixed" (which does not here mean co-educational). Many parents, especially of girls, are interested less in education than in nice manners and the right accent. Within broad limits, nobody should want to deprive them of their peculiar right to pay for this prejudice. But it is certainly desirable that they should be able to judge what they are getting.

The Ministry does its best to provide a yardstick. It has long operated a system of inspecting private schools at their own request. But less than a third of the independent schools are "recognised as efficient," and it is surprising how few parents are concerned to ask the question. Last year the Ministry went a stage further and asked the private schools for lists of their staffs, so that they could be warned if any of their teachers also figured in

The Italian Question

The state of Italy is briefly this. With the single exception of Sardinia, all the Governments in that Peninsula are anti-national or anti-popular; they are hostile to and hated by the great mass of the people over whom they rule; and they are supported only by force—by soldiers, by policemen, and by spies. This is one of their characteristics,—but it is not the only one nor the worst. In no instance except that of Lombardy do they subsist by their own strength: directly or indirectly, ostensibly or virtually, they are all supported by foreign bayonets, in the foreground or in the background. It is this last fact which constitutes the real grievance of the Italian people, and gives to surrounding States their right of intervention. It is this which makes the Italian Question a European Question. If the Italians were merely oppressed by their own Governments or enslaved or trampled on by their own nobles or their own priests, we should have no right to interpose; . . . for nations which cannot conquer justice or freedom for themselves can seldom maintain it when conquered for them and presented to them. But the case is altogether altered when a petty tyrant is upheld by a foreign and colossal Power: the people of Modena or Parma can no more be expected to contend against the Austrian Empire, or the people of Rome against the French Republic, than Cracow could be asked to make good its rights against the Czar of Muscovy. . . . In Sicily all classes, even the priests, are in opposition to the Government. In Naples, notwithstanding the support of the lazaroni, the King and his minions would be upset tomorrow but for the ingrained conviction that the insurgents would have to deal not only with Neapolitan but with Austrian legions. Of Rome occupied by France, and the Legations occupied by Austria, we need not speak. Parma and Modena are mere Satrapies of Vienna; and Tuscany, whose Sovereign was once beloved by his subjects, has sunk into the same condition. Austria has now military occupation of the whole Peninsula, except the city of Rome, where the French keep a detested Ruler on his throne, and Naples, which Austria governs not by actual occupation, but by a threat of occupying it if necessary. If Louis Napoleon were to retreat from a false position—which we most urgently advise—and so place himself *rectus in curia*, the occupation by Austria would then be complete, and the case would stand revealed to Europe in all its flagrancy.

The Economist

May 24, 1956

the Ministry's list of undesirable characters in the profession. The big step forward, however, will be taken on September 30th, 1957, when Part III of the Education Act of 1944 will be brought into force. After that date all independent schools will have to register, and if they are found upon inspection to be unsatisfactory they may be closed down. A preliminary inspection of all independent schools has already been carried out in order to give the Ministry some idea of the standards of private schools, and brief reports have been issued to the schools to give them an idea of what will be required. It would be interesting to know what report was given of the various schools run by the B.Sc., Ph.D. (Leicester gaol).

Nationalism on the Wide Screen

THE display of political sensitivity at this year's Cannes film festival was unusually intense. The Japanese obtained the withdrawal of the British film "A Town Like Alice," the Germans objected to French and Polish films which involved concentration camps, and the Russians in turn blackballed a German film about reunification, with the result that the West Germans withdrew from the festival. And a kindred spirit apparently influenced the decision taken a few days ago by the government of India, which, proclaiming the not unreasonable intention of

sparing the sensibilities of Africans, has firmly banned all films which reveal that much of Africa is jungle—including even "The African Queen," a saga of hardship in which Africans scarcely appear.

There is, of course, a silver lining to all this international pettiness. Films can usually count on getting some free publicity when somebody protests about them. And at the last Venice festival the American "Blackboard Jungle," a searing story about a tough East Side New York school, won fresh fame when the American ambassador obtained its withdrawal. "Rejected, Cannes Festival," may soon become as good a label in the film world as "Rejected by Royal Academy" has sometimes been for paintings.

Not all politics or social criticism has yet been banned from Cannes. This year most communist entries followed the party line as best they could in these troubled times. One of them was a remarkably vicious attack on the Polish wartime Resistance (which has meanwhile been granted "rehabilitation" by the Warsaw bosses). Hollywood, uninhibited either by ambassadors or by propagandist considerations, produced two more stark versions of the seamier side of American life, including a realistic study in dipsomania, its third successive effort on this theme at Cannes. And when it came to the prizegiving the judges did their best for co-existence. Shakespeare was there to help them out; and their choice of the Russian version of "Othello" for first prize won the respect of connoisseurs of diplomacy as well as of the many critics who enjoyed its colour even if they could not understand a word of its dialogue.

A further serious feature of these investment programmes is that they commit a whole industry to a certain programme. If the estimate is wrong the repercussions are far more serious than if one firm in an industry misjudges its future requirements.

These vast and vague sums seem to be arrived at by a series of discussions between the industries, their parent Ministries and the Treasury. This is unsatisfactory in several ways: it gives the Treasury a job for which it was never intended; there is no control either by the market or Parliament and yet the eventual decisions seem to be open as much to political as to economic influences. We know from the history of the coal industry alone that the forecasts made by these industries can be very wrong.

Once the amount allowed to an industry has been decided it will now be found by direct advances from the Treasury. I believe the new method of direct below-the-line advances for capital purposes will have some disadvantages though it will ensure uniformity (up to now various rates of interest have had to be paid by different industries—the Atomic Energy Authority paying nothing at all). The nationalised industries are not services like the Health Service, nor social commitments like pensions. There is no economic reason why, say, gas should be sold below its true price, though there may be a case for subsidising certain gas users. Yet to advance the Gas Board's money out of taxation at a low rate of interest is to subsidise

the industry. Nor is it clear that the new arrangements are necessary to stop inflation. The Chancellor's argument has been that the nationalised industries were always going to the market at the wrong time. Why? Why could not they time their issues like other firms?

Some consideration might be given to five suggestions. First, in spite of arguments to the contrary, there is still a good case for splitting some industries into smaller units—if only to avoid "mass mistakes." Secondly, industries such as the electricity industry which could be extremely profitable should be put into the market not sometime, but very soon. If it is then desired to subsidise certain consumers, that can be considered as a separate issue and financed by taxation through the Treasury. Thirdly, so long as subsidies are paid directly or indirectly to these industries or their consumers, they should be financed from specific taxes earmarked for the purpose. I know this would be difficult and would have little "real" or economic effect. It would, however, bring home to people the situation of the nationalised industries; the fact that if we want to expand and improve them we have to find the money and that if we want "cheap" coal, for instance, somebody has to pay. It would make it clear that they differ from the social services. Fourthly, the industries should be allowed to raise part of their capital in ordinary shares either from the market or the Government. Lastly, and most important, an investment board should be established. This would review the capital needs of all nationalised industries before their proposals are put before the Treasury. It would relate them to the savings available. It would examine them in relation to one another and in relation to what the private sector was doing (coal and atomic investment should clearly be related to investment in oil). It would be an expert and non-political body drawn from men engaged in varying types of business. Cuts or increases in each programme would be recommended to the Treasury, with whom the ultimate decision would lie, subject to confirmation by Parliament, to whom the board's advice would be most valuable.

If the first four suggestions are considered impossible, I do suggest that an investment board merits serious consideration. Without some such a board the methods of reaching decisions will still be unsatisfactory even with a Select Committee which, after all, will be composed of very busy amateurs, influenced by political considerations and reviewing decisions already made, which are very difficult to reverse.—Yours faithfully,
House of Commons J. GRIMOND

Union Boss

SIR—Your article under the above title (May 12th) struck many nails straight on the head, as I can testify, having lived through the period during which "Ben" has lived, and having been

closely associated with national officials of the trade union movement for the thirty-five years during which I have been a national officer of the Labour College movement.

Your contributor's hammer, however, did bend one nail. If Ben was in any way closely associated with syndicalist shop stewards or trade unionists who were keenly interested in industrial unionism, it is unlikely that he went to WEA classes. He would go to the classes of the Plebs League and of the National Council of Labour Colleges. The great bulk of left-wing trade unionists in those days regarded the WEA as not merely a right-wing body but as a thoroughly orthodox body. Moreover, industrial unionists and syndicalists played an outstanding part in creating the Labour Colleges.

About the end of the First World War, the Government set up Commissions on Industrial Unrest and, in the case of one large area at least, the Commission ascribed the unrest partly to the educational work of the Labour College movement and recommended WEA classes as a suitable soporific! It was about this time, too, that Glasgow University started to do extra-mural educational work in order, many thought, to counteract socialist educational work on the "Red Clyde-side."—Yours faithfully,
J. P. M. MILLAR
General Secretary

National Council of Labour Colleges
Tillicoultry, Scotland

A Great Commander

SIR—In your review last week of "The Mediterranean and the Middle East," Volume II, you say that the British could have employed the 3.7 in. AA gun in the anti-tank role in the Western Desert long before Alamein, "But the generals ignored it." This last remark, though quite conventional, is untrue. Certain generals pressed hard for this gun for the anti-tank role and, failing it, for the Egyptian Army's 3 in. AA gun, but they were told that these guns were all vital for the defence of the Canal, the ports and base installations and could not be spared. Obviously, other people beside the army and its "generals" would have had a say in the allotment of these AA weapons—in fact, it might be expected that their claims would be given priority, however mistaken some may have thought them. And all this argument was long before Alamein.—Yours faithfully,
F. S. TUKER
Falmouth, Cornwall (Lieut.-General Sir Francis TUKER)

The Geological "Scandal"

SIR—Your article of May 12th refers to the providential existence of a stock of uranium concentrates in the United States at the time that it was decided to undertake the manufacture of the atomic bomb.

It is right that the foresight and prompt action of M. Sengier which

brought this about should be generally known. In 1938, he was told by Sir Henry Tizard that at Shinkolobwe the Union Minière had in uranium something that might be of very great importance. The Shinkolobwe mine had been opened for the production of radium, but when M. Sengier learnt of the probable importance of the uranium by-product he gave directions that the uranium concentrates should be packed in drums and stocked at Leopoldville. Early in the war, he thought it possible that a German raider would penetrate up the Congo, and he then gave orders that the stockpile should be shipped to the United States. Meanwhile the Shinkolobwe mine had been closed down.

After the authorities in the United States decided to proceed with the atomic bomb, it was proposed that M. Sengier should be approached and asked to reopen the Shinkolobwe mine for the production of uranium. Colonel, later Major-General, Nichols, and recently general manager of the Atomic Energy Commission, called on him at his hotel, and behind locked doors cautiously broached the subject. Before he had got very far, M. Sengier said "If you are looking for uranium, I have some on Staten Island."

This stock of 1,200 tons of concentrates assaying about 65 per cent U. O. had been cleared through the New York Customs. The officials who knew of the existence of this stock knew nothing of its importance, or the plans for an atomic bomb. If it had not been for the shrewd foresight of M. Sengier, and he alone was responsible, the atomic bombs would have fallen on Hiroshima or Nagasaki much later than they did. This story is typical of the far-sighted intelligence of the management of the Union Minière. In Katanga the relations between natives and Europeans are perhaps happier than anywhere else in Africa.—Yours faithfully,
Basingstoke J. G. BOWER

Animals as Council Tenants

SIR—The public conscience is becoming roused against a process which bears all the marks of tyranny. When citizens are turned out of their homes by a local authority they have no alternative but to become its tenants, which often means that the family pet cannot go into the new home. Many of the cases are heart-breaking and it is socially unhealthy for a community to be devoid of animal members, especially dogs.

Many protests have been made, and the time appears opportune for these efforts to be co-ordinated. The suggested aim is that tenants of local authorities should have the right to apply for permission to keep an animal and that they should be made aware of that right. Who will help me?—Yours faithfully,
GREY DE RUTHYN

Institute of the Dog,
114 Wigmore Street, W.1

Letters to the Editor

Under Public Control?

SIR—The proposed Select Committee to examine the reports and accounts of the nationalised industries may be a step in the right direction, but it is unlikely to go far towards solving one of the main problems concerning the industries: the problem of deciding what capital they should get and on what terms. Since the market was abandoned there has been no certainty about how we should decide the amounts to be invested in, say, respectively coal, railways and electricity. Probably there is no completely satisfactory way of making such decisions. But it is most important for this country that it should invest somewhere near the right amounts in the industries which we happen to have nationalised. We only have a limited amount of saving and innumerable calls upon it. We cannot afford to make gross errors by investing too much or too little in any one industry. At present it would seem that we are about to invest too much in the railways and too little in the roads, and

too much in gas and electricity compared with industry in general.

Some idea of the magnitude of the investment involved can only be gauged from the figures in the capital programmes of these industries. The coal industry is to invest about £800 million in collieries and related undertakings in 10 years. The railways have to raise from outside sources £800 million out of their £1,200 million scheme. The British Electricity Authority are to spend at the rate of almost £200 million a year for the next few years. £300 million is to be spent on nuclear power. In addition, considerable sums must be found for gas, the North of Scotland Hydro Board and airports. In fact, over one-fifth of our gross fixed investment is undertaken by these industries. This may be too much or too little (the Shell Company proposes to spend up to £1,000 million over the next three years). But it is extremely important for our economy, the more so since these industries take 30 per cent of our output of machinery and plant and employ more men than all central and local government put together.

Books & Publications

Complex Greatness

LINCOLN THE PRESIDENT: Volume iv., Last Full Measure.
By J. G. Randall and Richard N. Current.
Eyre and Spottiswoode, 432 pages, 45s.

PROFESSOR RANDALL'S death early in 1953 robbed Lincoln scholarship of its most distinguished exponent at a time when his life's work, his Lincoln biography, was still incomplete. He left behind him eight finished chapters (about two-fifths of the present, final, volume) and extensive notes, from which (together with his own considerable knowledge of the man and the period) Professor Current has been able to bring the story down to its tragic conclusion on the evening of April 14, 1865. The skill and authority that Professor Current has brought to bear on his theme goes far to assuage one's regret that Randall's own pen could not follow his hero to the end. Despite the dual authorship, this volume has a unity of treatment, an evenness of judgment, which would make it difficult, if not impossible, to detect the moment of changeover, had the clue not been provided by the introduction. This is a high tribute both to the "definitiveness" of Randall's findings and to the sympathy of Professor Current's execution.

Narrative was never Randall's forte. His great work acquires its stature, not as a story of an eventful life, but as a series of shafts sunk, as it were, into Lincoln's personality, as a politician, as a president, as a man. It is the penetration, the thoroughness, the determination to sift every fact to its historical base, the recognition of what was important, what trivial, in the Lincoln saga—this was what made Randall the most respected Lincoln scholar of his day. These qualities, fortunately, are those which can best survive the completion of the actual literary narrative by another hand. To say this is not to depreciate Professor Current's achievement, but to reassure readers that all that they found admirable in the earlier "Lincoln" they will find in this, which tells the story of 1864 and early 1865.

Well, almost all. For there are one or two points in the events of that electoral year that the book, excellent as it is, leaves as unanswered questions in the mind. For a final assessment of Lincoln's stature, for his claim to be a great moral, as well as political, leader 1864 is a crucial year. Randall and Current are realistic. An election, even a re-election, is politics, and politics is compromise. But did Lincoln, the would-be nominee, have to dismiss the loyal Blair, the Dean Acheson of 1864? Did Lincoln, the candidate, really think

his defeat would be disastrous for his cause (his biographers clearly do not)? If not, why was he so keen on a Republican sweep? Would not a healthy Democratic minority have helped his Reconstruction programme in Congress? Finally, was Lincoln warranted, in terms of his own concept of the Constitution and the issues of the war, in demanding the passage of the Thirteenth Amendment?

In a sense, it is a tribute to the clarity and honesty of Randall's and Current's treatment that these questions rise so sharply to the surface. Nor is their silence to be harshly charged against them. It is a mark of the richness and complexity of Lincoln's personality that when so much is laid bare so much still remains to be discovered. And no one can read these four volumes without a conviction that Randall has, time and time again, come nearer to the core of Lincoln's being than any of the host of writers who have been attracted by that strange, great figure.

Controversial General

MACARTHUR: 1941-1951, Victory in the Pacific.

By Charles A. Willoughby and John Chamberlain.
Heinemann, 427 pages, 42s.

TO some, General MacArthur is one of history's most brilliant generals and proconsuls, who was right about the Japanese in 1941, the North Koreans in the spring of 1950, and the Chinese Communists that autumn. To others, MacArthur is a masterful yet controversial man, grown egotistical with long years of command, opinionated, slow to take advice, intolerant of criticism, at the end dangerously disinclined to follow guidance from anyone.

There is no common ground between two such divergent views. The appraisal of his mentor by General Willoughby (with the assistance of John Chamberlain) will reach most readers with their mind made up already for or against the hero of Bataan, Hollandia, and Inchon. As General MacArthur's intelligence chief and companion of long standing, General Willoughby makes no effort to chart an impartial course; his record is involved with that of MacArthur. He gives a devoutly favourable account that will help document the position of MacArthur for his partisans—while doubtless infuriating his critics. The book that can strike an impartial balance on this controversial man apparently is still to be written.

This is not a GI or Tommy Atkins

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picture of war; it is a headquarters story, and as such it is concerned with the strategic and politico-military connundrums that do not beset lesser cogs. In General MacArthur's case, it was the political aspect that finally caused his downfall. Even so, in his best days, the man with the corn-cob pipe and gold-braided cap emerges as a magnificent fighter.

The Willoughby-Chamberlain account persistently attempts to whitewash everything the General did, to refute every hostile charge, and particularly to make his dismissal as America's Far Eastern Commander seem the unfortunate outcome of a personal vendetta against him by the President and the Joint Chiefs of Staff. In this effort, the story wears thin for anyone not prepared to accept the thesis that MacArthur charted only the successes while someone else always engineered the disasters. The papers of the General and his staff that comprise perhaps half the book are sometimes interesting, often boring, occasionally electrifying. But they are consistent in presenting one side—the MacArthur side—of a picture that has many sides.

The final estimate of MacArthur's latter day role hinges on the answers to certain key questions. More than one set of answers is already available, but these are General Willoughby's:

Did MacArthur cross the 38th Parallel into North Korea on his own initiative? No, says General Willoughby; the United Nations on October 6th voted approval of the crossing and the General received "definitive orders to move north."

Was MacArthur surprised at the Chinese entry? No, says General Willoughby; he knew the new enemy's capabilities and guessed his intentions. MacArthur "had to take steps to force the enemy to tip his hand" by continuing toward the Yalu. Either Washington or the United Nations could have stopped him at any point "if they had taken the mounting Chinese threat seriously," but each "preferred the opiate of wishful thinking" that Peking would not act. (Another version, not General Willoughby's, is that MacArthur took a calculated risk that he could bluff the Chinese out of fighting in North Korea and failed.)

Why was the Eighth Army overwhelmed in North Korea? MacArthur's strategy was not at fault, says General Willoughby. He quotes a headquarters report: "When the Chinese crossed the Yalu, MacArthur instantly ordered the bridges—six of them—destroyed by our air force. Within hours his orders were countermanded from Washington. Those bridges still stand..."

Finally, why was MacArthur fired? Mr Truman's reasons, according to General Willoughby, were MacArthur's public letter of August 27, 1950, emphasising the strategic value of Formosa; his letter of March 20, 1951, to Representative Martin about using Chinese forces from Formosa in the Korean war and saying "there is no substitute for victory"; and his offer to negotiate in

the field with the Chinese Communist General. But there was a deeper reason, says General Willoughby: General Bradley, chairman of the Joint Chiefs of Staff, felt that MacArthur "was not in sympathy with the decision to try to limit the conflict in Korea. The JCS had decided to avoid a third World War."

Lawrence in Sepia

THE DESERT AND THE STARS: A Portrait of T. E. Lawrence.

By Flora Armitage.

Faber, 334 pages, 25s.

THE "Seven Pillars of Wisdom" tells one major episode of T. E. Lawrence's life in the thundering language of the Prophets: "The Mint" records the other in tones that are sharper but no less vigorous. Lawrence liked, and demands, bold outlines and clear colours; his main characteristic is that he was compelling, both to himself and to others, so that even Mr Aldington, in the deflationary book he wrote last year, was willy-nilly compelled to use the violent purples and yellows of deadly nightshade. Miss Armitage, though she is perceptive, questioning and honest, and so catches an excellent likeness, is too restrained to get beyond a portrait in monochrome.

She never conveys one part of the essence of Lawrence—his quickness. Impulses and judgments "gushed out of him... and sometimes left the recipient gasping," once wrote Mr E. M. Forster. With her, nothing spurts or gushes; there is not a single slammed door or sudden lift of heart, and one wishes that she would sometimes stop tiptoeing about in carpet slippers.

Any biographer of Lawrence is up against odds. Apart from the books he himself wrote, there are already several lives, the wonderfully-edited "Letters" and the "Home Letters," as well as the posthumous snapshots by friends, who include three or four of the greatest contemporary masters of the English language. The competition is daunting, and there is no known till of unpublished papers by means of which to bypass it; every pickable brain has been picked. The one new element in Miss Armitage's book is its detachment. She sets herself the target of explaining Lawrence's well-known complexes, and she does this job, and deals out her praise and strictures, with a delicacy and impartiality that have greatly pleased all the Lawrence friends whom she consulted. This is no mean test of her capacity to convey his colossal impact on his contemporaries; she never knew him herself.

She has not written the major work that must some time be written because (contrary to a claim on the dustcover) she does not assess "the impact which he made on contemporary history." Nor does she attempt to set him in his place in English literature. She was sensible not to try, for the task will call for an intellectual range as huge as Lawrence's own, and to this she never aspires. Indeed, she lacks it to an extent that causes

her to make irritating little mistakes. Here and there her syntax quavers; approximately half her French quotations or titles are copied out wrongly, and there is one wrong attribution in her bibliography. Her publisher, usually impeccable in such matters, should have helped her over these small snags when they were handling so fastidious a hero.

Encyclopaedia or History?

THE SECOND INTERNATIONAL, 1889-1914.

By G. D. H. Cole.

Macmillan. Two vols. 1,067 pages, 70s.

AT some stage in the planning of his gigantic "History of Socialist Thought," of which this constitutes Volume III, Professor Cole must presumably have become aware of a crucial choice. Was his *magnum opus* to be a record—critical or straightforwardly expository—of the development and interaction of Socialist ideas, a book to be read? Or was it to be an Encyclopaedia of Socialism, a work of reference to be consulted?

Unfortunately the decision, whether consciously faced or not, was never resolved one way or the other. Trusting to an unrivalled expertise and a superlative ability to handle and tame unruly masses of material, Mr Cole tackled both jobs simultaneously. How far his title is a misnomer hardly appeared in Volumes I and II, dealing respectively with the more or less Utopian "fore-runners" and with the Marxist-Anarchist controversies; for during the periods in question it was indeed the development of ideas that constituted the main activity of Socialists. But in Volume III Mr Cole—and his readers—unmistakably pay the price of ambiguity. As a reference book "The Second International" is superb; it will be the standard authority for as far ahead as anyone can see. But the encyclopaedia has swamped the history. By geometrical progression, as Socialist and near-Socialist ideas spread and Socialist and near-Socialist groups become active in country after country, the material becomes increasingly unmanageable—or, at all events, impossible to infuse with any continuing sense of organic unity; a matter of industrial and political tactics in advance or retreat rather than of ideas, of particular and accidental circumstances rather than of principles.

"The Second International" is not, indeed, shapeless. It begins with two chapters on that singularly futile body the International itself; these are followed by national sections, lengthy for Great Britain, Germany, France and Russia, brief for a couple of dozen others, all covering roughly the same period from the 1880s to the First World War. A brilliant concluding chapter, providing the nearest approach to a unifying thesis, sums up the dominant issue of the period—that of Reformism versus Revolutionism—and explains both the confusion which obscured that issue and the effect upon it of national circumstances. In each section, social background and political framework are skilfully indi-

cated, while character sketches, always competent and sometimes delightful, give momentary life and colour to the story.

But too much of that story is a chronicle of blind-alley ventures, inconclusive industrial strife and party manoeuvres, and personal antagonisms, whose upshot has no perceptible bearing either on the Socialist thought, or on the institutions and problems, of our own time. Just possibly it may one day be important or interesting to someone to know what Socialist weeklies were published in the United States around the turn of the century, or who were Filippo Turati and Francesco Merlini; if so, here is the information, clearly and succinctly conveyed. But the possibility seems remote.

Mr Cole's next volume is due to cover the period from 1914 to 1939. Faced with the same relentless geometrical progression, he will surely be forced to revise his scale of operations; any well-wisher, either to the cause of effective scholarship or to Professor Cole personally, must hope that the revision will be drastic.

Queen Anne's Parties

ENGLISH POLITICS IN THE EARLY EIGHTEENTH CENTURY.

By Robert Walcott.

Oxford University Press, 299 pages, 18s.

MR WALCOTT writes that "Still another treatment of the party politics of Anne's reign would hardly be justified if it were not based either on new material or a significantly new approach." His new material is "every scrap of biographical data on some 1,200 Members of Parliament that could be collected over a period of some fifteen years"; his new approach is derived from Sir Lewis Namier, for whom he has the devotion of a disciple. In 75 pages of appendices he analyses members of parliament by occupations, representatives of government boroughs, party groups, the effects of the 1702 election and the composition of the Scottish contingent. His text of 160 pages is a sermon upon the appendices; in it he preaches the doctrine of a "multi-party framework," stresses the predominant importance of Court influence and anathematises those who have reduced the story to the dichotomy of the Whig and Tory parties.

Historians will be grateful for the painstaking research marshalled in the appendices. But the text is marred by the contempt Mr Walcott shows for the work of his predecessors, especially since he often attributes to them a crude dogmatism they never held, while ostentatiously calling attention to his own originality. Most historians, he alleges, agree that "a Whig and a Tory party were both organised on a national basis in the late 1670s... and that they have persisted with little fundamental change of identity down almost to the present day." A footnote emphasises that "this is the view of Feiling, Trevelyan and virtually every other historian." "We need," Mr Walcott

tells us, announcing his own discovery, "something besides the usual set of Whig-Tory co-ordinates. We need a Court-Country frame of reference."

This supplies Mr Walcott with his "general conceptual scheme" of four political segments. But Dr Feiling, writing thirty-two years ago, made just this point, though less crudely, explaining how in the 1690s the old line of division between Country and Court "crossed and zig-zagged with that of Whig and Tory." Mr Walcott is equally unjust in his accusation that Dr Trevelyan and Dr Feiling have overlooked the Court elements in their concentration on the parties. Again, in his statement that the dismissal of Harley "has never been satisfactorily explained or even described by historians," Mr Walcott has overlooked the three careful pages devoted by Dr Feiling to this episode.

Mr Walcott has slavishly applied the methods devised by Sir Lewis Namier for the study of the second half of the eighteenth century and has tried to force his master's conclusions upon the earlier and very different period. In Queen Anne's reign government interest was weaker, while the war produced social strains and posed general issues which made the period the forcing-house of parties. It is significant that in his concentration upon personnel Mr Walcott never considers the effects of the land tax. Ministers stormed the closet, but they also directed propaganda. Defoe, Davenant and Swift knew what they meant by Whig and Tory, terms which had more significance than Mr Walcott's "conceptual scheme" allows.

A Sting in its Tail

THE VIKING ROCKET STORY.

By Milton W. Rosen.
Faber. 244 pages. 21s.

ROCKETS bear the same relation to aeroplanes that wasps do to bees. Bees are busy, useful and essentially amiable creatures; if they occasionally sting their guardians there is no basic malice in their make-up. But there is a restless malevolence about a wasp that does not let it live at peace with anyone, and so it is with rockets. Whatever the purpose for which they are built, a rocket carries a terrible sting in its tail; a racing, scorching motor burning at temperatures of 5,000 degrees F., fed by inflammable, explosive, corrosive chemicals that are stacked, ton upon ton, above the motor.

Security has drawn a merciful veil over the heartbreak and tribulations of the men who work on guided missiles. Mr Rosen sadly explains that it all looks so easy when you do it on paper, where valves never freeze, gyros never drift and motors do not blow up in your face. The story of the first eleven Viking rockets is one of the few authentic accounts of the battle of wills between a rocket and its attendant crew; publication is possible because the Viking is a high-altitude research project, not a military missile, even though it is sponsored by the American Navy.

Mr Rosen was in charge of the Viking, and his book is made up from notes of progress and firing trials kept over the years from 1945, when his research group started its high-altitude work, to 1954 when the tenth and eleventh rockets were fired.

The Viking was like an elongated V2, 45 foot long and 32 inches in diameter. It carried a nose full of instruments and telemeters—for reading, recording and transmitting conditions up to 158 miles above the earth, the greatest height a Viking ever reached. Mr Rosen appears to regard the findings of those instruments with detachment, but he cared passionately, and to the exclusion of rest and sleep, how his proud rockets behaved when they carried them. Some would not leave the ground. Others were openly vicious. One broke a tail vane in flight and somersaulted at full power through the void above the proving ground, to the bewilderment of the radar crews tracking it. The most intransigent of the series tore free when it was on static test and roared away, cables trailing, on a disastrous unscheduled flight; another caught fire on the ground and turned the test site into an inferno. But some flew straight and true.

This is the kind of story that tomorrow's old men may tell their grandchildren as earlier generations told tales of sailing ships and battles with storm. It should be compulsory reading for those who carp at the slow development of military missiles, and talk of rockets to span the continents as if they should be delivered with next week's milk. Rockets are not easily tamed, and even when tamed are never trustworthy. As an example of American research methods, patient, painstaking, scrupulously thorough and fabulously expensive, the Viking is a superb example. But Mr Rosen never says what his Vikings cost, and the English reader regrets the omission.

Founder of Russian Power

PETER THE GREAT.

By C. de Grunwald. Translated from the French by Viola Garvin.
Douglas Saunders with MacGibbon and Kee. 224 pages. 21s.

M. de Grunwald, with his books on M. Alexander I and Nicholas I, has made himself an authority on Russian history of the first half of the nineteenth century. His *La Russie de Pierre le Grand*, published in 1953, goes back to the origins of the power which defeated Napoleon and was only for a time set back by the Crimean War. The present work shares the readability of its predecessors, which it owes in great part to the use of travellers' tales—Neuville, Manstein, Perry, Kritzhovich, Korb, and others—sometimes, perhaps, without sufficient evidence of their veracity. Russian historians are seldom quoted; and this, with the absence of any bibliography, must detract from the historical value of the work.

Nevertheless, if M. de Grunwald wears his scholarship lightly, it is un-

doubtedly there: in the description of "Holy Russia," with its Tsardom, Boyars, Voievods, and state church, so unlike their analogues in the France of Louis XIV; "Old Russia might pride herself on possessing the spiritual heritage of Jerusalem and Athens, but everything that the word 'Rome' suggests in organisation, discipline, and political order was lacking." For these benefits Alexis encouraged German infiltration, and Peter's "Great Embassy" (about which M. de Grunwald acknowledges "recent research done by Soviet historians") opened "a window 'on Europe'" by which a widespread but superficial culture came in from the West, and the New Russia acquired an army, a navy, a capital, and an empire, rivalling those of the West.

As for Peter himself, much still remains obscure:—What sort of man was he behind his eccentricities, his brutalities, his occasional heroisms? Was the impression he left on Paris, London, and Oxford (still very obscure) that of an educated savage, or of a poseur? What was the influence of his camp-wife Catherine, or the crime of his son Alexis? Was Menshikov the power behind the throne? We could do with more quotations from Peter's letters to Catherine "breathing tenderness, love, and devotion." Were all his aspects and aptitudes on the six foot eight scale?

M. de Grunwald rounds off the story with some account of Peter's successors, Anne and Elizabeth; with an Epilogue, in which he quotes the apocryphal Last Testament of Peter that Napoleon used as justifying his attack on Russia in 1812; and with quotations from the present rulers of Russia, who are doubtful whether to claim him as a patriot and reformer, or to execrate him as a Westerniser, an oppressor of the proletariat. But no one denies him the rare title of "The Great."

Books Received

A BOOK OF ENGLISH IDIOMS.
By V. H. Collins. Longmans. 271 pages. 10s. 6d.

A useful guide to 1,015 English idioms in most constant use. Their origin is given where known and an explanation. They are arranged alphabetically and there is an index.

EXCHANGES AND COMMODITY MARKETS.
Swiss Bank Corporation, London, E.C.2. Virtually all Britain's traditional exchanges and commodity markets have now been reopened; this small book briefly describes their functions.

YEAR BOOK OF LABOUR STATISTICS, 1955: Fifteenth issue.
International Labour Office, Geneva. London: Staples Press. 470 pages. Boards 36s. Paper 30s.

INTERNATIONAL REVIEW OF CRIMINAL POLICY: Nos. 7-8, January-July, 1955. United Nations, New York. London: Her Majesty's Stationery Office. 256 pages. 17s. 6d. \$2.50.

DOCUMENTS ON AMERICAN FOREIGN RELATIONS 1954.

Edited by Peter V. Curl. New York: Council on Foreign Relations. London: Royal Institute of International Affairs. 528 pages. 40s. \$5.00.

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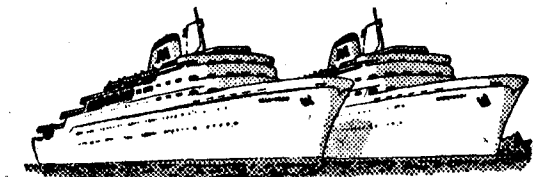
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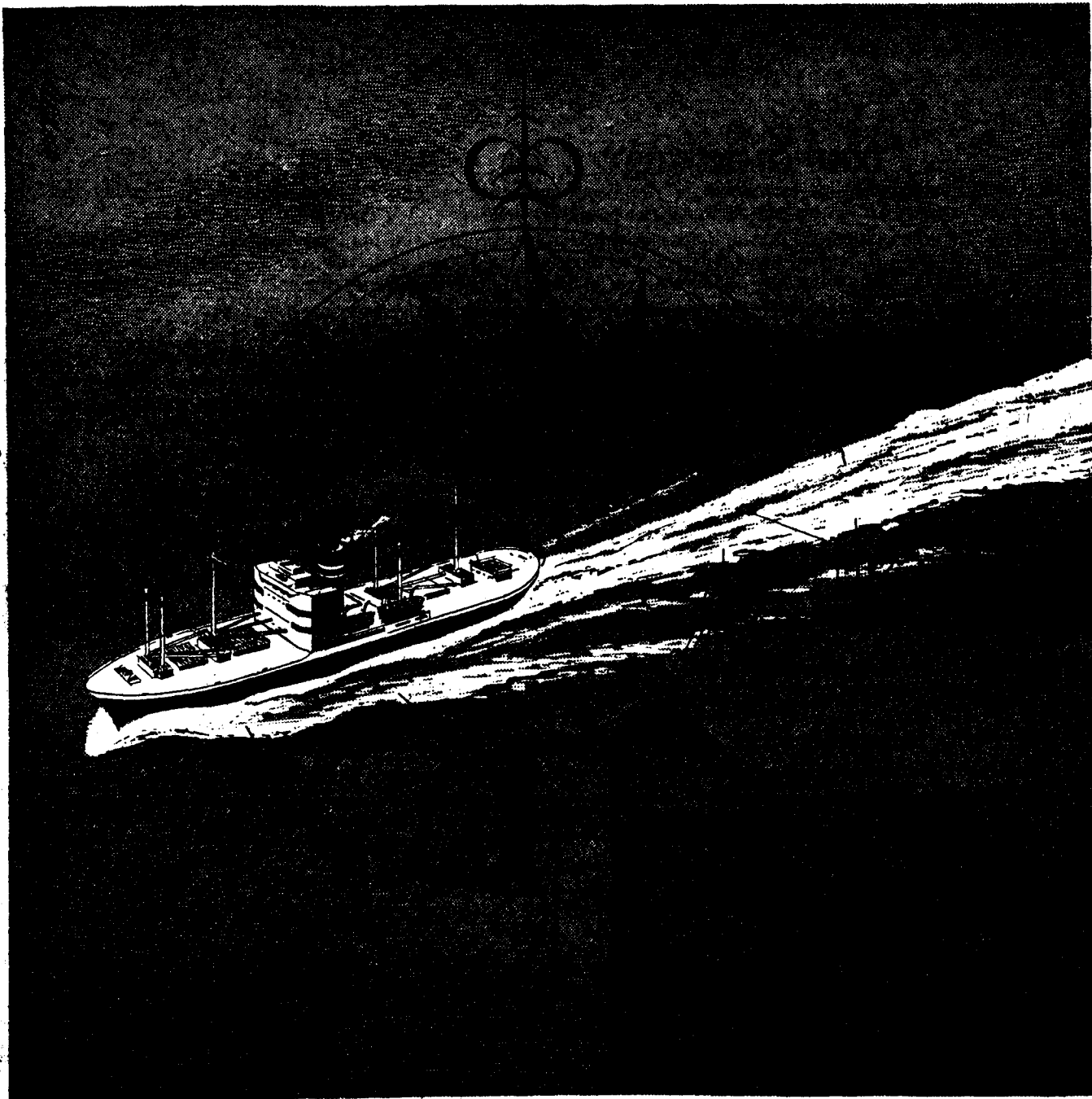
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American Survey

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Rivalry Over Missiles

Washington, D.C.

MR CHARLES WILSON, the Secretary of Defence, who in the past three years has stimulated a great many controversies by impulsive remarks, has been engaged this week in calming a lively controversy stirred up by some impulsive subordinates. He has been singularly successful, perhaps to his own surprise, but the root of the trouble remains. This is that the missile, whether ballistic or guided, must be recognised as the major weapon of the future.

Controversy among the American armed services over the responsibility for these new and vital weapons is probably inevitable so long as it continues to be official policy to encourage each of the services to proceed with its own research and development and, in some cases, its own production for use—with the Defence Department itself exercising only moderate restraint in the way of co-ordination, rather than absolute direction. This policy came into existence when research into missiles was in its infancy. The reasoning was that active competition among the services would be a spur to speedy development and that, when satisfactory missiles come into being, from whatever source, then would be the time to determine which service should use them, and how. In Mr Wilson's words "we want the best missiles possible, and we want them used by the service which can use them best."

Unfortunately the separate services have not always felt that they could let action wait upon this persuasive reasoning. Weapons of war are not self-sufficient, but exist only as parts of whole systems. Thus, the sole purpose of the great aircraft carriers is to permit the most effective handling of the jet planes which they are designed to transport, service, launch and recover. The carrier with all its superb equipment was designed only when the Navy knew the general characteristics of the aircraft, then still on the drawing board, which would be completed at about the same time. The training programmes, the logistical set-up, the revisions of tactical doctrine—all these move along progressively in approximate unison with the various construction programmes. Conscious of this, the services have inevitably become as preoccupied with what is going to happen in the future as with what is happening now. At the higher levels, the several Chiefs of Staff usually express their views with tact, but at the lower levels there is less of this, and quite probably also less familiarity with the complicated problems which surround the simple facts of missiles.

Last weekend the press and the wireless were presenting

with great confidence the actual texts of "staff papers" which had been smuggled to them by some mysterious colonels with a view to getting them published. Some of these papers were extremely critical of the Air Force for reputedly reaching for larger and larger responsibilities; some were just as hostile to the Army for its own persistence in relying on the Nike (an anti-aircraft missile) when the Navy and the Air Force were at work on a superior missile capable of longer reach; others were savagely critical of the Navy for spending its money on "obsolescent" aircraft carriers (this being a familiar Air Force cry). A great many newspapers cheerfully printed these inter-service diatribes with little discrimination; and the more vocal Congressmen commented appropriately, one going so far as to threaten to cut defence appropriations unless the services spoke about each other more amiably.

Mr Wilson's first day of investigation wound up with an unusually stately press conference, attended by Admiral Radford, the chairman of the Joint Chiefs of Staff, and his four colleagues, and by the civilian chiefs of the services as well. Mr Wilson deplored any suggestion that the staff papers were more than individual expressions of opinion or that certain inevitable disagreements on policy had been set out in terms of service partisanship. He remarked sensibly that no weapon is permanently satisfactory, that no distribution of service functions and missions is more than temporary, and that the military establishment must adjust itself to constant change. The service chiefs, individually disavowed the published papers, and echoed Mr Wilson's statement of policy, with assurances that the country's military programme had their unanimous support; the uproar over these particular low-level staff papers was calmed.

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It would be a mistake, however, to think that the whole question, particularly where the long-range missiles of the future are involved, can be disposed of so swiftly. Mr Wilson himself would say otherwise, for of all weapons the missiles seem to forecast the greatest changes in the shortest time. The Air Force continues to press toward the intercontinental ballistic missile by two separate routes and to continue experiments with its two existing long range air-breathing missiles, which must be recognised as promising a good deal in their own fields. The Army and the Navy are equally vigorous in their development work on an intermediate range ballistic missile which, the tech-

nologists say confidently, might prove capable of extension into the intercontinental range. There seems to be no intention of restricting either group of researchers, nor is there any visible restraint on experiments with shorter-range devices of the surface-to-surface category, and little on ventures in air-to-air, surface-to-air, and air-to-surface missiles, although it is perfectly apparent that rivalries will be developing in these fields, too.

Mr Wilson makes it clear that he is still learning, and it appears that he is waiting somewhat impatiently for a report from his new chief of missile affairs, Mr Eger Murphree, an efficient industrialist who has been in office only since the beginning of April and has hardly had time to reach conclusions on so complex a matter. There are those who think that ultimately a firm decision must be made on who will handle the great missiles, and that this time will come when one or another reaches so advanced a stage of precision that attention must be concentrated upon it. In brief, the major issue is very much larger than any of those raised in the somewhat immature staff papers which have just been hastily laid before a surprised public. And the questions which that issue presents will not be disposed of at a press conference, however deftly conducted.

It is unfortunate that this peripheral argument came along just as the B-52 intercontinental bomber was dropping an authentic hydrogen bomb. For here is a major advance in systems of weapons—a stupendously powerful bomb, now reduced to modest size for handling, delivered by a majestic new aircraft flying higher and farther and faster than ever a heavy bomber flew before. This looks like the last step in a series. There may be more shrinkings of H-bombs into smaller compass; there no doubt will be some adaptations of the great B-52 and combinations of the aircraft with an air-to-ground missile instead of a bomb, which would enable the B-52 to launch its charge from a greater distance than at present with less peril of detection or interception. But it seems very much as if the next big advance in bombing development may be a new missile rather than a new aircraft. And as the days of the manned bomber begin to look numbered, the pressure of the Air Force to assert its exclusive fitness to have the ultimate responsibility for missiles is likely to become more intense.

Senate Hopefuls

AS interesting as, and perhaps more important than, the victory of Mr Stevenson over Senator Kefauver in the Oregon election last week was that of Mr McKay over Mr Hitchcock in the fight for the Republican nomination for Senator. President Eisenhower's Secretary of the Interior, the man who has full responsibility for both the alleged "give-away" of the nation's natural resources to private exploiters and the favouring of private rather than public interests in the development of the country's hydro-electricity, will now be facing Senator Morse, one of the leading critics of these two Republican policies, in Oregon, the state where they have been most widely applied. Here therefore one great election issue is clearly drawn already. The Republicans are particularly anxious to oust Senator Morse, because he is the Republican who, by deserting to

the Democrats, gave them their majority of 49 to 47 in the Senate after the last election.

The neighbouring state of Washington offers the Republicans what they believe to be another good opportunity of gaining a seat in the Senate. There the Governor, Mr Langlie, a popular and proven vote-getter, has agreed, after long and prayerful hesitation, to run against the incumbent Democrat, Senator Magnusen. Another admirable Republican who has now been persuaded to stand for office is Mr Javitz, the Attorney General of New York, a state where the other elected administrative officials are Democratic. He is willing to try and defeat the respected Senator Lehman, and has a good chance of success, if there is any swing away from the Democrats this year. The Republicans are beginning to think that there may be; for a variety of reasons a Democratic Senate in 1956 no longer seems quite so inevitable as it did. Another state where the Republicans may pick up a seat is in Kentucky, particularly if they can induce Mr John Cooper, now Ambassador to India, to stand there again. An able statesman, he has won before in this habitually, but not rigidly, Democratic state. He was defeated last time only by the great personal popularity of the late Senator Barkley, and the Democratic party in Kentucky is now bitterly split by internal feuds.

On their side the Democrats also naturally hope to collect from Republicans some of the 35 Senate seats which are at stake. Seventeen of these are now held by Republicans, eighteen by Democrats; of the latter ten are safe in the solid south, while the Republicans can be absolutely sure of only five of their seats. But the Democratic plans to get outstanding candidates to run seem less far advanced than are those of the Republicans. And where the Democrats have an outstanding candidate, in Ohio, they are not all quite sure that they want him to win. For the Democrat who is trying to turn Senator Bender out of Mr Taft's old seat is the present Governor, Mr Lausche. He is a very successful independent who makes no secret of his regard for President Eisenhower and might even "do a Morse" in reverse should he be elected.

Farm Improvements

AN election issue which was flourishing only a month ago is already withering, although the Democrats will continue to tend it in the hope that it will still bear fruit next November. This issue is the farm depression, which is now not only less serious than it was but also apparently less influential politically. For the fall in farm prices has been checked since the end of last year, and in March and April there were noticeable upturns in the index. These are considered to be more than seasonal and to suggest that the improvement will be maintained. Even more encouraging, the gains are concentrated in livestock, and particularly in hog prices and farmers as a group draw about a third of their cash incomes from such sales. For what they are worth as political indicators, recent elections in rural areas, notably in Nebraska, have given no further sign of the trend away from the Republicans that was discernible in Minnesota in March.

All of this has made the Republicans in Congress less anxious to vie with the Democrats in cultivating the farmer,

regardless of the cost to the taxpayer, and more ready to co-operate with the President in finding an answer to the agricultural problem which will offer a long-term solution, rather than a temporary one timed to coincide with the election. As a result the complicated Farm Bill which is now on his desk is an improvement over the one which he vetoed five weeks ago. It appears to be acceptable even if far from satisfactory. The Bill gives Mr Eisenhower his soil bank, which will recompense farmers for withdrawing land from surplus crops next year, and it does not contain the high, rigid price supports on which Congress insisted last time. A comparatively innocuous compromise was reached on the question of higher price supports for feed grains, which gave rise to the greatest controversy in the debates on the present Bill.

Unfortunately, however, the improvements did not extend to the clauses affecting agricultural producers in other countries, in spite of the pleas of the State Department. The Secretary of Agriculture is directed to dispose of about 5 million bales of surplus cotton on the world market even if this means, as it presumably will, that the cotton must be sold at prices below the domestic support level. As a result the United States will be accused of dumping its cotton, and its rice as well, if the Secretary of Agriculture uses the authority he is also given in the Bill to set up a two-price system for that commodity.

Lower Air Fares?

THE Civil Aeronautics Board, the government agency which regulates the routes, flight schedules, and fares of American airlines, announced last week its general support for the new low-cost air service across the Atlantic proposed by Pan American World Airways. Because of the need for landing rights and navigational aids from foreign governments, the board has allowed the American international airlines to adhere to fares set by the International Air Transport Association, although these have been frequently criticised in the United States as the products of price-fixing agreements contrary to the anti-trust laws. When the CAB reluctantly accepted a general 10 per cent increase in first-class trans-Atlantic air fares last winter, it said that it would not allow these higher rates to continue after September 1st unless agreement had been reached by then on lower tourist fares. It may hope, by reiterating its approval of lower fares now, to support both Pan American and Trans World Airlines when they argue their cases at the meeting of IATA, which begins in Cannes on May 29th. The board may also hope to mollify its vociferous critics at home, who are as displeased with the way in which the agency has discharged its domestic responsibilities as they are with its toleration of IATA agreements.

Under pressure both from Congress and from other branches of the Administration, the CAB has just been persuaded to hold a full-scale inquiry into the "reasonableness" of the fares charged by the 13 major long-distance airlines operating within the continental United States. Those who maintain that the agency has been lax in fulfilling its duty to the public, and unduly under the influence of the aviation industry, have been particularly incensed

by the high and allegedly excessive profits earned by the airline companies in 1955, which they feel would justify the CAB in insisting on lower fares. The contention of the airlines is that, if the necessary expansion of the industry is not to be retarded by lack of funds, every penny of these profits is needed to pay for the hundreds of jet airliners and other expensive new aircraft now on order.

It is ironic that this blast at the CAB should have come after a year during which the board has deliberately encouraged fresh competition within the industry, invariably against heavy opposition. Subsidies paid to both domestic and international airlines have been progressively reduced, and of the 13 major domestic airlines only two still qualify for government assistance. Because the financial position of the airlines is so much stronger, the board has felt able to allow more competing airlines to operate on parallel routes, without the fear that this would lead merely to an increased need for subsidy. Moreover, while "passing around new routes like candy," the board has at the same time favoured the smaller airlines, including those which do not operate on a fixed schedule.

Decision in the West

FROM A CORRESPONDENT IN SAN FRANCISCO

CALIFORNIA is the arena for an exciting and possibly decisive battle in the contest between Mr Adlai Stevenson of Illinois and Senator Estes Kefauver of Tennessee for the Democratic presidential nomination. The Californian primary on June 5th ends a series of state elections in which delegates are chosen who are pledged to support one or another presidential candidate at the party's national nominating convention in August. It will be the last clear test before that convention of the grass-roots popularity of the two men who so far head the list of possibilities for the Democratic nomination. But Governor Harriman of New York is becoming a close third: he has not entered any primaries but he has been speechmaking through the western states, just at the time when the primaries in Oregon and California are drawing attention in that region to his two rivals.

For Democrats California is a kind of political Gettysburg because the state now ranks second only to New York in its number of voters and because its political allegiance, while tending to the Democratic side, is far from certain. Mr Stevenson's key backers say he cannot lose the nomination if he wins in California, while Mr Kefauver's campaign directors say he cannot win the nomination if he loses in California. Both believe the contest will be close and both expect the outcome to be influenced by the results of the primary elections in Oregon last week and Florida next.

The results in Oregon, a neighbouring state, could be the toppling domino that tips Florida and that in turn tips California. That at least is what some of Mr Stevenson's supporters believed: and Mr Stevenson won handsomely in Oregon. But Kefauver men would not concede that if the Senator lost in Oregon he would also lose in pivotal California. The Oregon ballot paper was as long and complicated as a Copenhagen sandwich menu and, in order to vote for either Mr Stevenson or Mr Kefauver, the voter had to write his candidate's name on the ballot. Kefauver sup-

porters argue that such confusing procedures make unreliable election barometers.

The campaign between Mr Stevenson and Mr Kefauver in California has been long and hard fought. Both have been up and down and back and forth across this thousand-mile-long state, off and on since the middle of February, shaking hands and talking themselves to the verge of physical exhaustion. Indeed, primary elections today demand more time and energy from the contenders than did presidential elections fifty years ago, and the successful candidate may well be worn out before the real campaign begins.

Mr Stevenson's formidable organisation in the state, made up of most of the best-known Democrats there, seemed to have California pretty much in hand when the party held its state convention at Fresno in mid-February. The huge hall was mobbed with men wearing Stevenson badges. Senator Kefauver seemed almost to be pitied for having to speak before such solid opposition. But his candid, off-the-cuff speech on such controversial and important issues as civil rights for Negroes made a much better impression on the delegates than Mr Stevenson's prepared speech. There was no doubt that Mr Kefauver "stole the show," but Stevenson supporters in California were not seriously worried until his decisive and unexpected upset by Mr Kefauver in the Minnesota primaries in March.

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They then conceded that Mr Stevenson was no longer the front-runner in California and recognised for the first time that personalities, not principles, win popularity contests and that these are what primary elections really are. Mr Stevenson was persuaded that he was barking up the wrong tree in blasting Republicans and for the first time, at Los Angeles, he turned on his fellow Democrat, snapping sharply at Mr Kefauver for accusing him of being the candidate of the big city "bosses." After Minnesota, Mr Stevenson was also persuaded that he would have to imitate Senator Kefauver's "folksy" style of campaigning if he wished to stay in the race. It was here in California that the "new" Stevenson was unveiled. He developed the art of handshaking and perfected the automatic smile. He remembered to stop by the hotel scullery and thank the cooks. And every time someone draped a Mexican serape over his shoulder or jammed a sombrero on his patrician head, the new smile lighted as automatically as the photographers' flashbulbs.

Wherever Senator Kefauver had been, Mr Stevenson has also been in California, short of sleeping in the same bed. He has eaten his way through miles of spaghetti in California's Italian districts, dined on enchiladas with the Mexican field hands in the Imperial Valley, and stumped the "cow counties" in a Stetson hat astride a borrowed horse. As the California campaign moved into the home-stretch, Mr Stevenson was noticeably more relaxed. He was learning to handle himself better and his henchmen claim he has grown to enjoy the ordeal—which seems to "come natural" to his Tennessee rival in the coonskin cap. Perhaps this explains Senator Kefauver's continuing hold on the ordinary people, particularly in the rural areas. Even his closest admirers in California are at a loss to understand what has kept him up in the race, apart from his easy, natural, unaffected approachability. Certainly his campaign has lagged far behind that of his rival in organ-

isation and funds, although here and elsewhere he is said to have had help from Zionist groups.

The whole thing has been a repetitious and wearisome road show, almost devoid of high-level, policy-making speeches and showing little real difference between the candidates on basic issues. It is not surprising that, while there are still more Democrats than Republicans registered as voters in California, total figures for both parties are substantially below those for the last general election. The country at large seems to be taking more interest in this decisive election than do the people who will vote in it.

Steel Prepares for the Future

WITH their mills operating at capacity and the security provided by full order books for most products extending well into the second half of the year, the steel makers can afford to avert their eyes from the automobile industry, which is now producing only two-thirds as many cars as last year. But part of this prosperity is due to purchases made by customers in anticipation of trouble within the steel industry itself when the present contract expires on June 30th and of almost certain price increases after that. The steelworkers' union has already announced that it will demand at least four things this year: a substantial wage increase, supplementary unemployment benefits, extra pay for weekend work, and an extension of the employers' contributions to the social insurance programme. Since the union's great rival, the United Automobile Workers, did rather better than the steelworkers last year, and secured the first foothold on the ladder to a guaranteed annual wage, there is little doubt that the steelworkers will pitch their demands high this year and will maintain them very strongly. Indeed, both sides have already given a definite impression of intransigence: the union has proclaimed a readiness to strike if necessary to secure its demands; and the employers, by giving formal notice that their contract with the union terminates on June 30th, can now legally and collectively withstand, by declaring a lockout if necessary, a selective strike by the union against any one producer.

In the midst of this universally pessimistic approach to the steel wage negotiations, and the gloom seeping in from the motor industry, it is encouraging to see the confidence with which the steel producers are planning to expand capacity. The latest example comes from the Kaiser Steel Corporation, which announced this week that it would increase the annual capacity of its steel mill at Fontana in California by nearly 500,000 tons, or 40 per cent. At present west coast steel mills can supply only half of the region's growing demand.

Earlier the United States Steel Corporation announced what is said to be the first really long range expansion programme ever undertaken by a major American steel company. It calls for an increase in capacity of an average of one million tons a year for the next ten years, at a total cost of over \$1.5 billion during the period. This expansion in physical plant is being accompanied by an increased emphasis on the side where the steel industry has been weakest—research. The company plans to carry out an extensive programme of research at a special centre into new uses for steel, with emphasis on products made by coating



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Better Living on Show

FROM A CORRESPONDENT IN NEW YORK

THE First International Home Exposition, which opened on May 12th at New York's new Coliseum, was not so gaudy an affair as the annual automobile show at the Waldorf Astoria hotel. But the resemblance was close enough to suggest that the building industry is using the same techniques as the motor car industry to attract customers—new styling for houses, wider advertising and a concentrated effort to make a family's present house seem out of date; and both are doing it for the same reason—to expand markets at a time when the demand for their products seems at last to be declining. Entitled "Showcase for Better Living," the "biggest ever" exhibition gave thousands of New York apartment dwellers a look at the latest types of suburban homes, four of which were erected inside the Coliseum, complete with garden fences as well as living rooms. Elsewhere in the vast hall, makers of every type of home furnishing, from book cases to air conditioners and complete kitchens, displayed their wares with enough spotlights, music and pretty girls to please a Hollywood director. Behind all this fanfare were months of solid research by the companies which make building materials, home furnishings and electric appliances, as well as by the builders themselves. A phenomenon of recent years is the rise of the large construction company building as many as 250 houses a year which can afford to do careful research into new designs and methods.

With the postwar need for shelter largely met, and sales of new houses dropping markedly in the past year, the industry is looking for ways to convince people that they need bigger and better houses, or to persuade them that they should modernise their old ones. Market surveys indicate that in homes, as in cars, the American public is strongly interested in change. Two-thirds of those questioned in one recent survey selected an ultra-modern house as the one they would like; hardly anyone wanted a conventional design. Surveys also show that dissatisfaction with existing housing is very great. About 40 per cent of the families with children would like to move, either because their present house is too small, or because they do not like its appearance.

By emphasising new designs and new colours, the building industry hopes to increase the number of families which are sufficiently discontented with their present houses to buy a new one. The home show featured kitchens in "confection colours," bedrooms with sliding glass walls on the garden side, extra bathrooms and dressing rooms for the women of the house, game rooms and studies for the men. Long queues of viewers indicated that these were highly saleable features. Of course, not all who would like these facilities can now afford to buy a new house and a large share of the exhibition space was taken by companies advertising products that will modernise an older one, such as

new kitchen appliances and telephones coloured to match any interior. Other exhibits showed how to repaint, re-wire or build additions to a house at low cost; in this connection, a line of prefabricated swimming pools was displayed by Miss Esther Williams, the film star. But the ultimate aim of the builder, and his customer, was kept clearly in view: a completely modern "wonder house," like the one in the centre of the General Electric Company's exhibit, with every new appliance built-in.

Some observers believe that the increasing emphasis on styling and marketing, and also the tendency to build the house around its electrical features, will eventually mean that the big appliance makers will participate directly in the building industry. The Frigidaire division of General Motors recently displayed a completely prefabricated kitchen, walls and all, ready to be lifted into place and some of General Electric's exhibits in New York suggested the same line of thinking. If, as many builders expect, the rate at which new houses are begun rises to 1½ or 2 million a year, from the present rate of just over 1 million, by the nineteen-sixties, then such prefabricated interior units can probably be mass produced to the advantage of both the builder and the appliance maker. And equally important, they can be advertised nationally under brand names. Then, it may even be possible to "trade-in" a room of a house for a new model, as people now do with cars.

This month's show at the Coliseum did not go that far; it was only the beginning of a trend. But it did show the extent to which the house builder has changed from a construction man to a merchant. To most Americans, a house is no longer an investment but a purchase. As marketing techniques are developed, housing seems sure to become—if it is not already—the next great industry in the field of consumer durable goods and one which may come to rival the automobile industry in basic importance.

Insurance for Reactors

DURING the hearings held by the Joint Congressional Committee on Atomic Energy last week it became clear that both a majority of the committee and the Atomic Energy Commission advocate some form of government insurance against accidents in nuclear power reactors. The development of atomic energy by private enterprise has raised a host of new problems for the insurance industry. Most of these can be solved by the private insurance companies themselves, but there is one risk against which they still feel unable to offer full protection. This is the possibility of a reactor getting completely out of control and showering deadly radio-active materials over a wide area, like the "fallout" from an atomic bomb. This has never happened, and the chances of its doing so are remote. But if it did happen, particularly in one of the new plants being built in populated districts, the damage claims could easily bankrupt both the operator of the plant and the firms which supplied the reactor and its components.

The insurance companies have formed pools from which they can provide third party coverage up to \$65 million on each reactor, but the electricity companies and equipment manufacturers reckon that claims against them might run to \$200 million or more. The Atomic Energy Commission

has therefore proposed that the government should make up the difference. It has set no upper limit to the government's liability, but there is a feeling in Congress that it should be restricted to \$500 million. The insurance industry, which had been hoping to solve these problems somehow without calling in the government, has accepted this suggestion with some reluctance. The alternative of a government reinsurance scheme is not popular, as the private companies have no wish to pay out huge sums and then wait for the government to reimburse them.

The urgency with which this matter of atomic insurance is now being discussed is largely due to mounting criticism of the slow development of private nuclear undertakings. One of the chief reasons for the delay is the insistence of the commission on the most stringent safety precautions, especially for reactors to be built in towns. But even the two schemes for which final permits have now been given are likely to be held up further unless the government does something very soon about insurance. If it continues to wait and see whether the insurance industry can work out a solution on its own, the whole programme may be retarded, and the opponents of private development for nuclear power would have strong support for their renewed efforts to get the government to reassume the leading role.

Cutting Down Big Jim

Montgomery, Alabama.

NEXT month Mr James Folsom, who had won the Governorship of Alabama for the second time in 1954 with more votes than his six opponents combined, was thoroughly trounced in the state election for membership of the Democratic National Committee, the party's central organisation. The giant killer—"Big Jim" Folsom is physically massive—was a State Senator, Mr McKay, a political unknown until he moved a resolution in the legislature "nullifying" the Supreme Court's decision against racial segregation in schools. The Governor paid for his temerity in dismissing this gesture as "hogwash" and "baying at the moon" and for refusing, with one last minute exception, to sign any Bill aimed at circumventing the Supreme Court. Mr Folsom is an incorrigible vulgarian and a rambling demagogue, with lax administrative habits and enormous stockinged feet dangling out of the windows of his official black Cadillac. But in Alabama, a one-party Democratic state where politics are highly personal, he is also the main force for moderation and sanity on racial questions.

Two factors laid Mr Folsom low, the times and his own personality. His political genius, like that of the early Populists sixty years ago, lies in his ability to identify himself with the aspirations of the poor of both races. His success in the 1954 election was the high water mark of the reaction against the traditional leadership of the state Democratic party by the "bourbons," the gentry of central and southern Alabama. This area is known as the Black Belt because of the exceptionally fertile soil and has a very large proportion of Negroes. It is being rapidly depopulated because of the mechanisation of cotton farming and the replacement of many of the cotton fields by enormous cattle ranches. Despite this the "bourbons" have by and large managed to cling on to political power because of their historic alliance with the "big mules," the industrialists of

Birmingham and other cities in the north of the state, and because of the failure of the legislature to redistribute its seats according to the changes in population.

Unfortunately Mr Folsom's eccentricities of character and casual, disjointed methods of government contributed to the rapid falling away of his support both during his first term from 1947 to 1951 and his present one; in Alabama a Governor cannot serve again without a four year interval. His actions in office disillusioned many of his backers, and the growing bitterness over racial questions since 1954 alienated the "red necks," the poor whites whose only superiority over the Negro is the colour of their skins. The riot over the admission of a Negro girl to the state university and the Negroes' boycott of the buses in Montgomery gave the "bourbons" a splendid chance for a comeback. Under cover of the racial issue they outmanoeuvred the Governor in his struggle for a constitutional convention, which should break their power by abolishing their rotten boroughs. They organised the Central Alabama Citizens Council, whose purpose was to drive from public life all possible leaders of a moderate movement.

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It would be a mistake to paint the Alabamian political situation in uniformly sombre hues. Senator Lister Hill, who has a thoroughly progressive record except for formal votes on civil rights for Negroes, has been nominated for another term, without condescending to campaign against his only opponent, a splenetic admiral backed by the extreme segregationists. The Central Alabama Citizens Council run by the bourbons has been acutely embarrassed by the uninhibited racism and anti-semitism of its imitator in North Alabama, which is headed by Mr Ace Carter, the voice of the industrialised "red necks," and the two organisations are now tearing each other apart. Finally, whatever Democrats in the state may do, the machinery of government there will remain for the next two and a half years in the unsteady but also unbogged hands of Governor James Folsom.

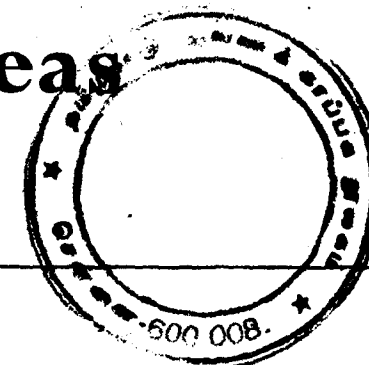
SHORTER NOTES

The Secretary of the Treasury has officially informed Congress that a balanced budget now seems certain for the fiscal year which ends on June 30th. As a result of the "upsurge of prosperity in the nation," the estimate for receipts, mainly from taxes, has gone up by \$3.2 billion since last January to \$67.7 billion—some experts think this is still too low—while the estimate for expenditures has gone up only \$1.6 billion; the additional outlays are entirely for farm price supports and defence purposes. The probable surplus is now officially put at \$1.8 billion, but this is not yet considered enough to justify a reduction in taxation.

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Correction:—In the article on San Francisco, on page 270 of *The Economist* of April 21st, the size of the city should have been given as "seven miles square," not "seven square miles."

The World Overseas



Singapore's Smeared Canvas

FROM OUR CORRESPONDENT IN SINGAPORE

SO far the reaction in Singapore to the breakdown of the London conference has not gone far beyond mild expressions of regret. It is true that the *Singapore Standard* attacked Mr Marshall from the 15th onwards; but this represents a continuation of editorial policy more than an expression of popular opinion. The general public is merely confused. As one editorial puts it, "The Singapore political picture is simply a smeared canvas."

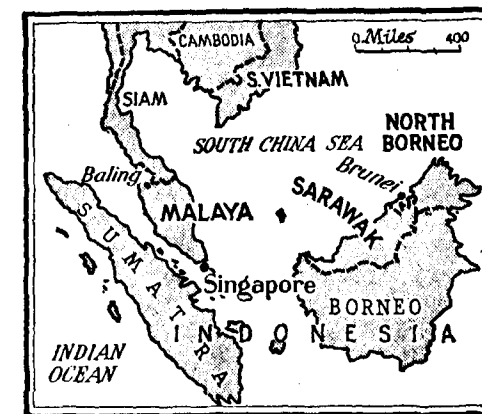
It is, however, obvious that the potential sources of major disturbances have all been in London and that nothing much will happen until they all return. What, however, will happen then? The fact that Mr Marshall, on the 18th, announced his intention to resign is not taken as a final decision by Singaporeans who have heard similar announcements at fortnightly intervals ever since he took office. It can fairly be assumed that he will waver on this point, more especially if the Labour Front should re-unite. It will no doubt be the object of his friends to represent him as a martyr in the cause of freedom. Plans are already on foot, it is said, to make his return a "Day of Mourning," with 90,000 trade unionists staging a token strike. The Labour Front Secretary, Mr Keng Ban-Ee, has already hinted at the public protests which may assail "our colonial masters." Demonstrations such as these might well go to the head of Mr Marshall who, in any case, has more sense of drama than of balance. His taste for tragedy is one of the less predictable elements in an unstable situation.

If the People's Action Party were to join with the Labour Front in general protest against colonialism, the Communists would have their chance to create chaos. But co-operation has been made all but impossible by the open breach between Mr Marshall and Mr Lee Kuan Yew. The latter remarked during the conference that "Never in the history of colonial evolution has so much humbug been enacted in so short a time by so erratic a leadership." With comments such as this on record, he cannot readily join in an effort to equip Mr Marshall with the halo of martyrdom; and the Chief Minister, on his side, has already complained of being stabbed in the back. This need not prevent PAP's

supporters from creating disorder on their own; but that is not what Mr Lee Kuan Yew wants. His policy is to force on another general election, discrediting Mr Marshall beforehand. He is therefore in a dilemma, unable to make Mr Lennox-Boyd the villain without making Mr Marshall the hero. When he says, "There will be no violence," he expresses both a policy and a hope. No group (the Communists excepted) would gain from riots in Singapore; and even the less responsible elements of the PAP must at least recognise that they have heads to be broken and lives to lose.

The Liberal-Socialists consider that an immediate election would not be in the best interest of the colony (or of themselves). They calculate that Mr Marshall's resignation should enable them to form a government, attracting some of his former followers into their orbit. It seems just possible that they might secure office in this way. But the knowledge of this will incline Mr Marshall to withdraw his resignation. If there is to be a "caretaker government" pending new elections, he would rather head it himself, if only to thwart the ambitions of Mr C. C. Tan.

A significant feature of the last few days has been the steadiness of the market. Buyers have admittedly been few, but the price level has been little affected. If there is fear of Singapore becoming another Cyprus, it is not reflected in the price even of local industrials. This confidence may be connected, to some extent, with some of the political factors already described. It may be based on the knowledge that ample troops are available. It may rest on a belief that few of the Singapore Chinese are of the stuff from which martyrs are made. Many local Asians bitterly resent the white man's pretended or actual superiority. In the last resort, however, their resentment must take second place to their business sense. Mr Marshall complains of the Colonial Office, saying that it is "making possible the cry of 'Out with the British! Throw them into the sea!'" That such a cry may be heard is indeed possible. But whether it will in fact be heard the next few days will show.



Inside the Arab Legion

BY A CORRESPONDENT LATELY IN AMMAN

BEHIND closed doors on the outskirts of Amman, the Jordanian army—formerly the Arab Legion—is conducting a court martial of a hitherto unfamiliar kind. Two senior officers are being tried, and seven others are being held under house arrest, on a charge of attempting to assassinate a fellow officer from motives of personal rivalry. The dust raised when General Glubb was dismissed three months ago is still eddying uncomfortably around.

A major cause of this army unrest is uncertainty about the succession. General Glubb's immediate successor was his chief of staff, Major General Radi Innab, who is an ex-Palestinian of the requisite seniority but who has experience only on the police side. He is due to retire this summer and will probably do so, so that his colleagues are exercised less about his worth as a commander than by rivalries for his shoes.

The normal candidate would, no doubt, once again be his immediate successor in the office of chief of staff, who was an excellent and experienced officer, a graduate of the British Military Staff College at Camberley, enjoying the respect of senior colleagues. But—and here is where trouble started—within a month of this officer's appointment as chief of staff, he was "promoted" to a field job, command of the Arab Legion division; the reason for the inverted commas is that this post will no longer exist after the coming summer as the Legion is to be reorganised into brigade groups.

This manoeuvre made way for the appointment as chief of staff of a young man of thirty-four, also a graduate of Camberley. No matter how talented, intelligent and personally charming, an officer of this age, when suddenly promoted over the heads of senior men, is bound to make enemies. This able young man, Ali Abu Nuwar, is not rendered any more popular by his history, which is that, when military attaché in Paris, he won the ear of the King during a royal visit. General Glubb had wanted to retain him there until the summer of 1956, in order to keep an eye on French arms shipments to Israel, but the King, disregarding this consideration, brought him back to Amman as a personal ADC. Since Glubb's dismissal there have been few promotions, but such good jobs as have been going have fallen to Ali Abu Nuwar and his associates; it is with the attempted murder of one of them that the present court martial is dealing.

Latest Hatreds

There have long been other potential sources of rivalry within the legion—regional, as between officers from the highly parochial towns and tribes on the east bank; religious, as between Moslems and Christians; social and occupational, as between the desert Beduin whom Glubb liked and understood and the sophisticated townsmen of Palestine; political, as between those who favour alliance with the Egyptian bloc and those who hate the idea of subservience to Saudis. So long as the central command is weak, these latent hatreds are liable to erupt; they also supply demagogic politicians with splendid matter for speeches. The recent rioting which broke out in the largely Christian town of Madaba, in which three people were

killed, was at least in part due to the dismissal of Christian officers from the Legion.

Needless to say, these quarrels and changes of personnel have been accompanied by changes first in efficiency, and secondly, in strategic planning. It is no secret that King Hussein and General Glubb disagreed violently over the strategic possibilities of defending certain sectors of the promontory on the west bank of the Jordan in which Arab Jerusalem lies and which used to be part of Palestine. Glubb held, as any soldier outside the Arab world holds, that certain salients were untenable by so small an army. Now that the King has been able to appoint advisers of his choice, it seems reasonable to suppose that the Glubb plans have been abandoned—a supposition that must offer great temptation to Israel.

Observers who have talked with senior Arab officers believe that their weakness lies not in any deficiency in ability, but in a dangerous lack of realism arising out of inexperience. The extent of this inexperience is not generally realised. The strength of the Arab Legion is one division plus one armoured brigade, or roughly ten fighting regiments. Of these ten regiments, a bare two saw action in 1948, and they suffered nothing much worse than small arms fire—no artillery, no air attack. Since Glubb left, the Legion has started giving "special training" to refugees, and a "Woman's Branch" of the Jordanian army has been inaugurated. The effect of this latter may be social rather than military.

Relations With Cairo

The Jordanian Military Mission to Cairo does not seem to have produced any more than the pledges of "full co-ordination" that could have been anticipated. Having just got rid of their British commanders, the Jordanians were not likely to put themselves under the command of the Egyptians. King Hussein, who for the moment makes the most important military and political decisions himself, resents the efforts that Egypt has in the past made to subvert the Legion. But the series of pamphlets signed by "The Society of Free Officers" (printed in Beirut, and Egyptian inspired) seem to have ceased. A first glance suggests that Egypt had very little to do with the King's action, and has failed to cash in on the aftermath. It seems probable, however, that the young officers in the Legion who inspired the King to get rid of British control have not yet formulated any definite objectives. They seem themselves to be wondering what will happen next. But Ali Abu Nuwar, at least, worked closely with the Egyptians in Paris.

After Glubb had left, both the King and the prime minister asked that the British officers should be allowed to remain in the Legion. But it was soon apparent that it would be impossible to retain them "sandwiched" between Arab officers in positions of executive command. Of the 69 British officers on secondment or on contract to the Legion at the time of the dismissal, only 25 remain, in technical and advisory positions, and many of these are being replaced from England.

Under the recently concluded agreement between the British and Jordanian governments, the British subsidy to the Legion will continue, indeed it will be increased, and British officers will continue to wear the Legion uniform, serving under Legion command. There is some doubt whether this latter decision is a wise one, certainly it seems to be generally opposed by the officers themselves who

would prefer to have the status of an advisory mission. Since Glubb left, most British officers feel that they have been treated with ingratitude and indignity. Some of their service privileges have been curtailed, they have been by-passed at their work, and socially slighted by men whom they have known for years. In this as in other ways, the Jordanian alliance is not the pleasant relationship it used to be.

Plan for Europe's Common Market

THE foreign ministers of the Schuman Plan countries who meet in Venice next Tuesday and Wednesday will have before them a report mainly devoted to the problem of establishing a common market, and secondly to the Euratom proposal, with, tucked in at the end, a few suggestions for co-operation in other fields. The atomic energy proposals were summarised in *The Economist* of May 5th. The common market proposals have had little public attention, partly because they are so complicated. But they repay the struggle of reading them. The report succeeds to a surprising extent in reconciling the logical with the politically practicable. The result is a plan which follows the general pattern of the Coal and Steel Community, improved, or watered down (according to one's outlook), by experience.

The European common market, as it is envisaged by M. Spaak and his colleagues, is a customs union; that is, all tariffs, quantitative restrictions and other obstacles to free trade between members would be abolished, and all members would have the same tariffs on trade with non-members. But the common market is also meant to create a large area with common economic policies, which will constitute a powerful production group and encourage economic expansion, increased stability, a more rapid rise in the standard of living, and better relations among member countries.

To achieve these objectives a simple abolition of trade barriers would not be sufficient; it would not necessarily provide the competitive conditions required for increased productivity, and if unaccompanied by other measures might prove disruptive and cause unnecessary hardship. The kind of common market envisaged requires the elimination of discrimination based on nationality or a monopoly position; the elimination of those distortions—arising from different national social security systems, different systems of taxation and the like—which result in giving particular industries within the area an important competitive advantage, or putting them at a serious disadvantage; a common agricultural policy; the elimination of discrimination in transport rates and the establishment of a common transport policy; a procedure for mutual assistance to correct balance of payments difficulties within the area; an investment fund to help industries in difficulties to adapt themselves to the new conditions and to finance "European" projects; considerable harmonisation of social and fiscal legislation; and, eventually, free movement within the area for labour and capital. This is a very tall order, and it is not surprising that the report does not lay down all the details. It recommends that the treaty establishing the common market should be precise on the immediate steps to be taken, on

the procedure for removing barriers to trade, and on certain essential points; but, for the rest, it should set out the objectives, define clearly the responsibilities of the various institutions, and then let the system evolve.

The procedures and timetable for removing trade barriers lie at the centre of the plan and its other elements are geared to the three periods of four years each during which the customs union is to be created. During the first four-year period tariffs within the area would be reduced by 30 per cent (10 per cent at the end of the first year and another 10 per cent at the end of each of two eighteen-month intervals) and a start would be made on the abolition of quantitative restrictions not already eliminated under the OEEC liberalisation scheme. Here the principal proposal is that after the first 10 per cent reduction in tariffs has taken place, quotas should be automatically increased by 20 per cent annually. During the second four-year period tariffs would be reduced by a further 10 per cent at the end of two eighteen-month intervals and by a further 10 per cent at the end of the eighth year; this would bring the total reduction made by the end of the first two periods to 60 per cent. During the last three-year period the remaining tariffs and quantitative restrictions would be eliminated, unless recourse is had to a provision permitting a further three years of grace before all barriers fall.

Meanwhile, the external tariffs of member countries would be brought nearer together, and at the end of the transitional period the area would have a common external tariff, which in conformity with the Gatt rules, would be no higher than the average of existing tariffs. The rules of the common market will cover agricultural products as well as industrial goods, but it is recognised that certain modifications will be required. The basic principle is that if the European Commission, the Assembly and the Council of Ministers all agree that certain agricultural commodities cannot be left to the vagaries of a free market, particular markets will be organised on a "common" basis during the transitional period, and any special arrangements to protect agriculture (such as import monopolies) will thereafter also be on a common basis. Generous safeguards and exceptions for agricultural commodities are also foreseen in the provisions governing the reduction of trade barriers.

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Coal and Steel Community. A European Commission, nominated by governments and, it is hoped, reasonably limited in numbers, would be the executive. In certain matters it would have powers of decision and in others it would have the responsibility of formulating proposals for approval by the Council of Ministers. The latter would be the instrument both for co-ordination among governments and for co-ordination of national policy with community policy. It would be a strong body, acting, in principle, unanimously. But the report seeks to identify those situations where unanimity would mean that one country could, in effect, nullify the treaty and for these situations it stipulates that common sense requires that the Council act by a majority decision. The Common Assembly and Court of Justice would be enlarged versions of those already functioning in the Coal and Steel Community, and the Assembly would be consulted in the formulation of general policies and in particular before any modification of the timetable laid down in the treaty. Finally there would be a semi-autonomous investment fund which would operate as a financial rather than policy-making institution, receiving directives from a Council of Governors on which both member states and the European Commission would be represented.

Both in institutional framework and in economic concept the report blends boldness in design with caution in application, relying inevitably, if a little optimistically, on the will of governments to make a common market work.

Hanging in New Zealand

FROM OUR WELLINGTON CORRESPONDENT

NEW ZEALAND'S recent decision to hold a referendum on whether to retain or abolish capital punishment was a direct outcome of the House of Commons vote on hanging. Immediately after that vote a New Zealand Labour MP, Mr W. T. Anderton, announced that he would introduce a private bill to repeal hanging as soon as possible after Parliament re-assembled. Before that there had been no particular public discussion of the matter. Now it looks as if the arguments for and against hanging will be very fully canvassed before the referendum is held in November, 1957, at the same time as the next general election.

The decision to hold a referendum was very largely a political manoeuvre. The proposal was introduced as an amendment to Mr Anderton's bill and was moved by the Prime Minister, Mr Holland. It is most unlikely that the government would have raised the question of capital punishment of its own volition. But as soon as the result of the Commons vote became known in New Zealand it was clear that the Labour Opposition, which is pledged to support the abolition of hanging, would seek to raise the matter. The government did not seem anxious to come to a decision and the introduction of the referendum issue was therefore regarded not only as good tactics, but as a way of drawing the sting from the debate on Mr Anderton's bill. Both sides were at pains to emphasise that capital punishment is not a political issue. But its political repercussions were obviously much in their minds during the debate and this was underlined by the expedition with which Mr Holland got rid of the problem by transferring it to the electorate.

The government's decision to hold a referendum at the same time as the next general election has been strongly criticised by a number of newspapers as an evasion of responsibility. It has also been attacked on the grounds that an issue of this type should not be mixed up with electioneering. A last minute attempt was made during the debate on Mr Anderton's bill to provide for the referendum being held six months earlier than the election, but it received no support from the government and failed.

The Labour administration which was in office from 1935 to 1949 never made use of either the death penalty or flogging and finally abolished both in 1941. Capital punishment was restored in 1950, partly because it was one of the planks in the platform on which the National party was returned to power in November, 1949, and partly because a series of murders during the preceding year had influenced a section of public opinion in favour of restoring the death penalty. In the subsequent five and a half years, murders have continued at much the same rate as when the death penalty was not applied, making the necessary allowances for the increase in population during this period. Although there has undoubtedly been some dissatisfaction with the executive's decisions in certain cases, there is no outward sign of any substantial shift in public opinion. But comparison of the cases of murderers recently hanged with those who have already been discharged from prison after serving sentences varying from seven to fourteen years has prompted serious misgivings about the justice of a system which established two different types of punishment for murder according to the political party in power. The result of the 1957 referendum, however, will probably be close and will largely depend upon whether the murder rate increases between now and November, 1957, and whether the abolitionists put their case well.

Malaya Eyes Siam

FROM A CORRESPONDENT IN BANGKOK

THE recent visit to Bangkok of Tengku Abdul Rahman provided something more than the diplomatic small change of the conventional "goodwill" mission. It was the Tengku's first action of international significance since the London conference at which Malaya was promised independence within the Commonwealth. As such, it provided welcome evidence of a desire for closer collaboration with Siam, Malaya's only "committed" neighbour. While this does not mean a weakening of the friendship between the Malaysians and Indonesians, it does seem to show that the neutralist path at present holds little charm for Malaya's Chief Minister.

One of the problems between Malaya and Siam arises out of the fact that the four southern provinces of Siam contain an appreciable Malay-speaking, Moslem majority (in some districts over 80 per cent) and the least assimilated and most Communist-influenced Chinese communities in the country. Before the second world war the fact that Malaya was under colonial administration dampened the ardour of the Malay irredentists in the south but the temporary occupation of southern Siam by Allied troops at the end of the war gave a renewed fillip to the movement. Neither Whitehall nor Kuala Lumpur, however, gave any



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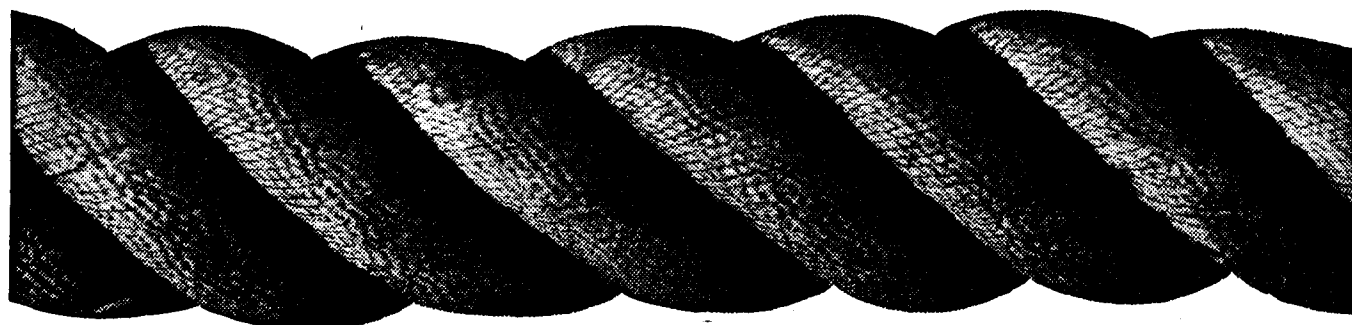


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encouragement to the agitation and it was eventually repressed by a judicious blend of concessions and force.

The approach of full independence for Malaya has naturally aroused little enthusiasm in Bangkok. Although there has been considerable improvement to communications in the South, the Malay-speaking provinces still feel that they are a relatively neglected backwater—a sort of refuge for administrators whose incompetence or dishonesty had brought about their transfer. The "disappearance" of a Malay politico-religious leader and the murder of a former MP for Naradhiwas, a town in southern Siam, have more than cancelled out attempts by the Bangkok government to give better administrative jobs to those who speak Malay. Moreover, there have been renewed contacts with extreme nationalist groups in the Federation.

The Siamese were anxious for reassurances that Merdeka would not mean any recrudescence of perhaps legalised Communist political activity from Malaya. In spite of a Siamese-Malayan border agreement which both provides for a full exchange of information and allows police units to cross the frontiers in pursuit of terrorists, it is known that Communist camps have been established in Southern Siam. It is also freely alleged—although never proved—that Chin Peng, the Malayan Communist leader, has established his headquarters in Siam.

The Tengku, who is himself half-Siamese and partly Bangkok-educated, displayed considerable diplomatic skill in answering the inquiries of his hosts. He stated unequivocally that a full renunciation of Communism would be an essential prelude to the restoration of full citizenship to the Malayan guerrillas. He pleased the Siamese by saying that a fully independent Malaya would seriously consider joining Seato and would be influenced in all its foreign policy by the necessity of working closely with Malaya's more experienced neighbour. The Tengku was suitably discreet in discussing Chin Peng's whereabouts, but both Siamese and Malaysians declared themselves fully satisfied that border co-operation would be strengthened and extended.

Italian Straws in the Wind

FROM A CORRESPONDENT LATELY IN ROME

TOMORROW elections are to be held in some 7,000 communes all over Italy. The usual excitement of an election campaign has been woefully reduced by the drastic restriction of poster warfare, although some observers claim that a new apathy has prevented the contestants from making use of the new *tabelloni* where posters may be placed. Apathy or not, a national significance attaches to these municipal elections—the so-called *amministrative*. The government of Signor Segni is weak; and if the political views of the mayors of the major towns remain, or become, such as to bring them into frequent conflict with the prefects appointed by the central government, it might be forced to resign long before the general election due in 1958.

But there is more to it than this. The election of Signor Gronchi as President of the Republic just over a year ago was the expression of the revolt of a part of the Christian-

Democrat party, in opportunistic alliance with the extreme left, against the would-be dictatorship—as it is felt to be—of the Party Secretary, Signor Fanfani. This revolt has been carried on in the municipal elections campaign. A few Christian-Democrat politicians, notably Signor Gonella, who was formerly regarded as right-wing, are believed to be flirting with the Nenni Socialists. Signor Gonella and his associates seem to claim that the De Gasperi type of centre coalition has broken down; therefore the much discussed "opening to the left" must be ventured upon in order to bring a decisive proportion of the working-class into the political life of the country. Since Signor Saragat's Social-Democrat party has failed to do this, there is nothing for it but to accept Signor Nenni if the working-class is not to remain in eternal opposition. It may not have escaped Signor Gonella that the discomfiture of the Communist party after the renunciation of the Stalin myth has given Nenni new hopes of picking up votes from disillusioned communists. In spite of warnings from many quarters, including Signor Segni and Signor Fanfani, against any confidence in Signor Togliatti's old ally, there is in fact a perceptible relaxation of feeling against Nenni; in a speech in Turin on May 16th, Togliatti himself seemed afraid of Nenni's defection. On the other hand, Nenni has since discounted the possibility that he might change allegiances, and although it is fairly certain that his party will gain votes, it is improbable that any big changes will take place on Sunday in spite of a new electoral law which is slightly less favourable to the winning party in communes with over 10,000 inhabitants.

Headlong Charity in Florence

Last winter the very thought of Signor Nenni again in the government forged a fresh alliance between the big industrialists, landowners and traders, and this was followed last month by an agreement, the *Confindustria*, that this "Triplice padronale" would support certain candidates in the municipal elections in the name of free initiative and against every kind of socialism. This has put funds at the disposal of many right-wing Christian-Democrats as well as of the small Liberal party led by Signor Malagodi. Thus, in spite of clerical and anti-clerical reformers, property and the Church remain allied against the leaders of the Italian working-class.

Locally, the most interesting elections will be in Florence, Bologna and Rome. In Florence, the saintly Signor La Pira, elected as Christian-Democrat mayor five years ago, has dispensed a headlong charity—regardless of its cost—which has caused both enthusiasm and exasperation. In Bologna the communist mayor, Signor Dozza, who has been in office since the end of the war, has husbanded the city's resources with bourgeois caution; he is challenged by another of the Christian-Democrat saints, Signor Dossetti, who claims to be fighting, not for any party, but for the Christian ideal and the Catholic Church. In Rome, on the other hand, the administration of the Christian-Democrat mayor, Signor Rebecchini, was so discredited that he withdrew before the election campaign. In each case little change in party strength is expected, least of all in the capital; indeed, Professor Gedda, the head of Catholic Action, clearly implied in an election speech what everyone knows to be true, that the Vatican could never tolerate a red mayor of Rome.

Pakistan's "Self-Help" Plan

THE five-year plan which the Pakistan planning commission has laid before parliament is ambitious. It aims at raising national income by a fifth, and thus raising income per head by 12 per cent despite an estimated growth of population of about $7\frac{1}{2}$ per cent. To achieve this, public authorities are expected to spend 8,000 million rupees on development and private persons and institutions about 3,600 million, in all nearly double what was spent in 1950-55. But the plan also seems one of the most realistic drawn up by a developing country. Shortage of trained personnel, it admits, "will make it certain that there will be a shortfall of expenditure under this plan." And it proclaims that its main purpose is not to rush ahead with new projects, but to make the best use of the investments already made and fill in the gaps in the economy.

The main emphasis is therefore not on industry but on power, transport, and above all, on agriculture. Industry, starting from negligible beginnings, has made remarkable progress since 1952, but it is so hampered by power problems and the supply of spares is so held up by exchange difficulties that over-hasty development would be rash. The plan foresees a growth of output of some 75 per cent but, apart from the consolidation of existing industries, like jute manufacturing, the main growth will be in vital import-savers—like fertilisers and sugar—in industries essential to development—like cement—and in a little basic development, for example, of steel, caustic soda and sulphuric acid. Although industry will continue to benefit from a fair proportion of private investment, it will get little more than a tenth of the government's development funds.

"The enrichment of life in the villages" is the plan's "most important objective," and about a third of public spending is to be devoted to agriculture. Village aid schemes will cover a quarter of Pakistan's villages by 1960 and all of them by 1965. Three million acres of new land are to be colonised and it is hoped to raise output of rice by 11 per cent, wheat by 17 per cent, jute by 15 per cent and cotton by 38 per cent. Nine out of ten Pakistanis depend on agriculture, and the planners have realised that they must redress the one-sided emphasis of earlier years on industry. Altogether three-quarters of public spending is to go to agriculture, power and transport—the infrastructure of Pakistan's economy; power output is to be more than trebled, and transport will get a fifth of public investment.

With resources limited, social spending, on education, housing, and health, is to be relatively small—only a fifth of public spending; but within these limits its aims seem wise. Education and training are looked upon as the key to the whole plan and limited funds are to be spent on the most vital sectors, on training technicians and teachers, over a third of whom are at present untrained, and on widening the curricula in the secondary schools to give an education both vocational and broad. Some 250,000 houses are planned, 100,000 of them for refugees, but not all are to be built by the government. The latter will prepare sites and lay down drainage but many of the actual houses will be built by individuals, either with their own materials or with cheap materials bought from the government.

This enlightened idea of self-help in housing, almost unique in Asian plans, illustrates a fundamental belief that people can achieve more satisfying results by voluntary

effort than under a system of rigid and centralised dictation. The idea that the government's task is to guide and draw forth the people's individual energies, rather than impose a plan, recurs time and again. In agriculture, the plan suggests that "some of the new land in large blocks might be leased on a pilot project basis for a number of years to private companies." In industry government agencies will only undertake development when private capital cannot, and will hive off such factories to private ownership as soon as they can. The forbidding share of government spending in the plan—over two-thirds—results, in fact, only from lack of private capital and its inability to undertake vast low-yield investments.

But perhaps the most important theme of the plan is its emphasis on East Bengal—Pakistan's own underdeveloped world. East Bengal's chronic over-population problem was worsened by partition, and since independence it has received little of the economic jam. No Sui gas has transformed the fuel position, and hydro-electric power output is negligible and potential small; the roads remain vile. Because of lack of trained personnel, less than half the projected detailed schemes are planned for East Bengal, but reserve funds may be kept in case more can be done. Even the schemes now planned would triple eastern spending in 1960 on agriculture, industry, health and education and more than double the spending on power.

Need for More Savings

Like all such plans, this one depends on several doubtful factors. Savings will have to rise from five to eight per cent of national income by 1960; most of this increase will have to come, presumably, from larger company profits and taxation. Adequate foreign exchange—some 3,400 million rupees for the public sector and 1,900 for the private—will also be essential. At present earnings barely meet current needs; the plan seeks a surplus of 1,000 million rupees through a small cut in imports and a bigger growth of exports, but this will partly depend on the fickle world demand for cotton and on continued stability in the jute market. Private foreign investment is put at 500 million rupees, mostly in oil, but the bulk of the plan's requirements of foreign exchange will still depend on foreign aid. Even on last year's scale, however, this would bring in some 2,350 million rupees, and Pakistan has reasonable hopes of getting more. Foreign exchange thus seems less likely than inadequate home savings to act as a brake on development.

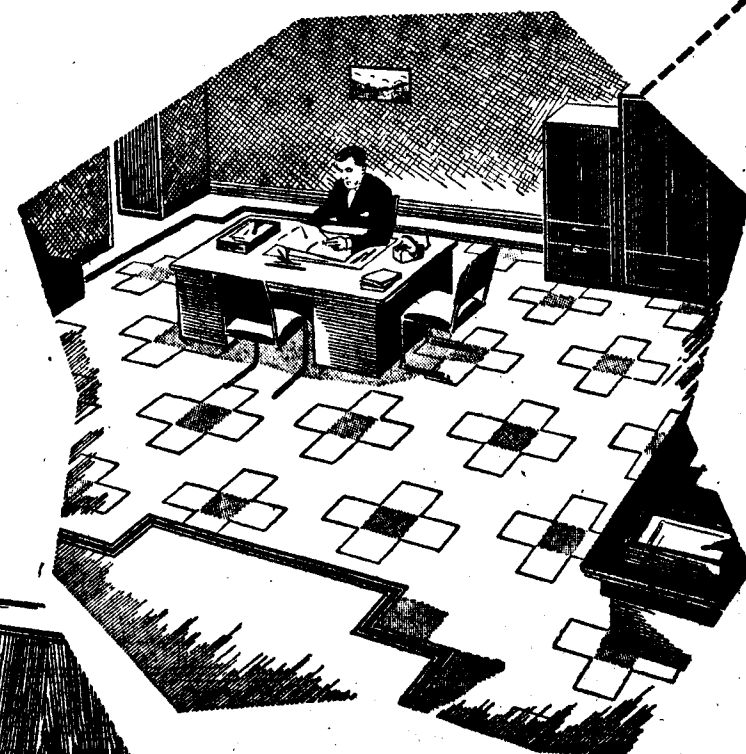
The planners recognise, however, that the human obstacles will be even more serious than the financial ones. Rural development will encounter formidable social difficulties. It will not be easy for a young instructor to teach *purdahnasheen* women how to keep their hens, or to avoid conflict with the village mullah's authority.

Finally, two thorny political problems overshadow the chances of the plan. Continued cultivation of much of the irrigated land of the Sutlej, Ravi and Chenab basins will depend on a solution of the dispute over Punjab canal waters on terms reasonably favourable to Pakistan. If this is not achieved, the value of the large new power and irrigation schemes will be largely cancelled out. And steady development, particularly in Bengal, will depend on a solution of Pakistan's domestic political problems, above all on a more harmonious relationship between East and West. The plan makes a fine gesture to East Pakistan, but neither the political nor the economic gulf can be quickly closed.

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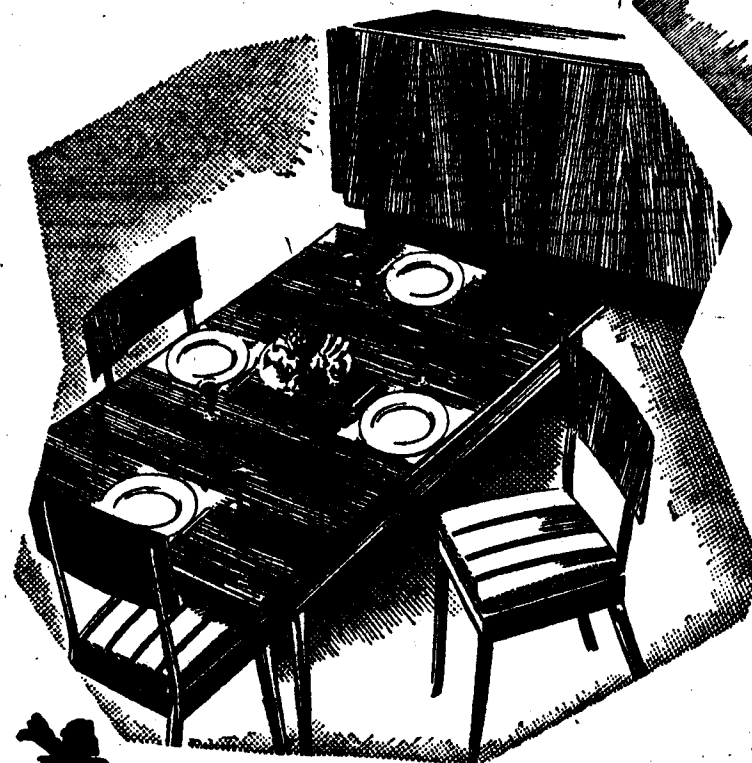


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THE BUSINESS WORLD

Dynamics of ICI

IMPERIAL CHEMICAL INDUSTRIES in recent years can claim a fine record of progress. None of Britain's industrial giants has done more to combat rising costs by greater productivity; it has carried work study further than have most big groups; advanced research has gone into its production planning. Automation is so much a part of ICI's thinking that it finds a mention in the directors' report only incidentally—as a means of reducing accidents in the explosives division. The results, as they affect stockholders, workers, and indeed the export trade of the country have been satisfactory. In only two years of the past decade, 1949 and 1952, has the net profit, after tax, failed to show an increase. For 1955 there were new records in the value and the volume of turnover and in exports. The group has earned high marks for its earnings record, its technical advance, and its forward labour policy.

ICI has claimed that it had been more successful than most industries in holding prices down. That, no doubt, is still its aim, but in 1955 even ICI had to do some back-peddalling. This latest report omits the usual comparison between ICI's home selling prices, the prices of its raw materials, the earnings of its workers, and the Board of Trade's general index of wholesale prices. It admits, indeed, that "it was not possible in all cases to avoid price increases although for some products, for example 'Terylene,' titanium, and certain organic chemicals, the company was able to reduce prices." The report pursues this topic no further, leaving stockholders to infer that reduced prices must have applied to the smaller segment of the turnover and increased prices to the more important one. They can calculate for themselves that the ratio of profit to turnover was lower, but that is not conclusive, since prices were adjusted during the year. The comparison between the 1954 turnover of £352.1 million and the £411.0 million of sales achieved in 1955 also flatters slightly, since it contains a full year's returns from the

Canadian subsidiaries (£42 million), whereas only six months' figures were included in the 1954 accounts.

If ICI has been less successful than formerly in absorbing all the rising costs that assailed it, its own direct wage and salary costs have still been kept within the bounds of rising productivity. Wages and salaries per unit of output (excluding the metals division) were actually lower than in 1954 and lower even than in 1948. The table drawn from the report shows how increased productivity has kept pace with increased wages in the group while in industry at large it has failed to do so.

A cynic might say that no group that had invested so much in new equipment as ICI has done in the last decade could be satisfied with less. But that would not be a full and fair view of its achievement. ICI has given plenty of thought to carrying labour along in the stride of its advance. The profit-sharing scheme, giving the permanent employee an interest in ICI's ordinary capital, was designed for just that purpose; 81,000 workers shared last year, with an average benefit of £32 2s. 8d. a head declared in respect of 1954. The 1955 accounts show that in times of expan-

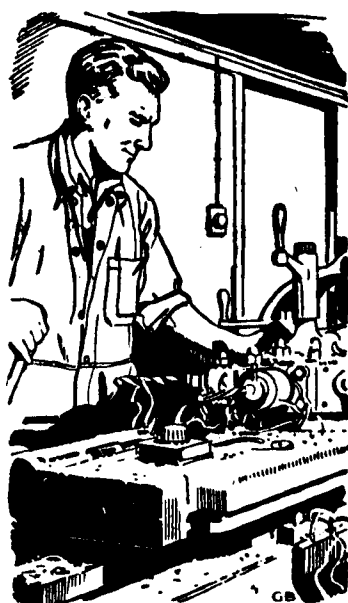
AUSTRALIA to-day



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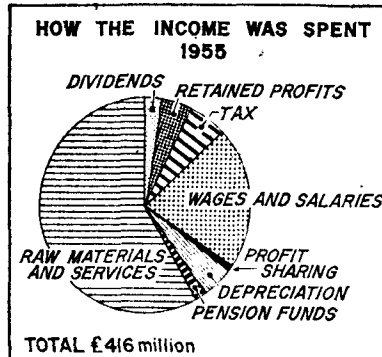
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LABOUR PRODUCTIVITY IN ICI

Year	Output		Total Wages & Salaries		Wages & Salaries per unit of output	
	All Industry	ICI	All Industry	ICI	All Industry	ICI
1948	100	100	100	100	100	100
1949	106	103	107	108	101	105
1950	114	127	112	118	98	93
1951	117	142	125	137	107	96
1952	114	129	134	149	118	116
1953	121	146	144	154	119	105
1954	129	173	156	173	121	100
1955	136*	195	†	193	†	99

* Provisional.

† Not available.



sion the scheme works like a snow-ball. On an unchanged dividend the share is again 5 per cent of eligible wages and salaries, but the cost is up from £2,691,390 to £2,833,467, reflecting a bigger number of participants and fatter pay packets. They prosper, modern Luddites might note, simply because the chemical industry is a heavy user of capital and a heavy investor. ICI spent £43 million on capital account last year, and group capital commitments outstanding on December 31st were £31.2 million, compared with £21.2 million at the end of 1954. The parent company alone has invested £223 million since the end of the war. That investment is the source of rising wages.

It might be relevant to inquire how productivity per unit of capital, not of labour, is faring. There are long lags between the raising of capital from the market, or from retained earnings, and the emerging production of the new equipment on which it is spent, and only bold accounting jumps are possible. Capital employed rose in the five years, 1951-5, from £251.5 million to £458 million. In the same period turnover (not, of course, at constant prices) rose from £262.8 million to £411 million. Sales per £ of capital employed thus fell from £1 os. 11d. in 1951 to 15s. 8d. in 1953, but rose again to 18s. in 1955.

This year's unchanged dividend of 10 per cent and the net taxed profit of £24 million, compared with £21.7 million, mark a year of peak activity in which more new manufacturing facilities began to pull their weight. They also reflect a continuous and successful attack on export markets. Exports rose by £3.6 million to £71.1 million, mainly a matter of volume for export prices remained "relatively stable." The United States, South Africa, Australia, the Near East, West Africa and the Caribbean were areas in which the export trade expanded.

Almost every one of the company's main sections reports greater activity. The alkali division, general chemicals, the salt division, the pharmaceuticals division, Billingham, the Nobel division, the leathercloth division, the paints division, and the plastics division, all report varying but substantial increases in sales.

The directors give no hint of what the future might hold. Certainly these accounts show that 1955 was a boom year for the group; and the report would seem distinctly odd if the Board did not expect continued expansion in coming years. Much new investment is planned, including a fertiliser plant to cost £3½ million to be built in Rhodesia by African Explosives and Chemical Industries (the jointly owned associate of ICI and De Beers). A fair amount of pruning is also

to be done, though it is the kind of pruning that looks like consolidation for a further advance. Permission is being sought to close down in Shanghai, ending a direct connection with China more than 50 years old, trading in future will be only through Hong Kong. The salt division is to discontinue some of its less important products and packet salt is to be made in Northern Ireland, and no longer in England.

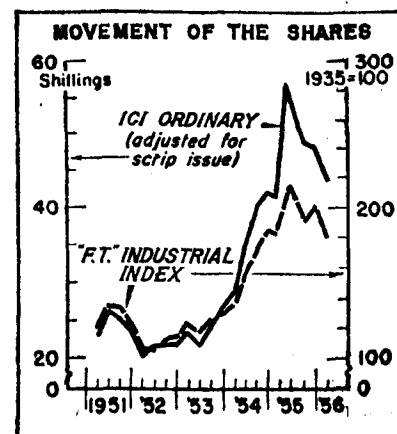
Group stocks have risen from £96.4 million to £105.3 million, and cash assets have fallen from £31.5 million to £23.5 million. The price of copper had something to do with the stock increase, since ICI, by a shrewd stroke of business, was able to convert the debt from its Turkish subsidiary into copper. That

ICI GROUP PROGRESS
£ million

	1952	1953	1954	1955
Net fixed assets	237.2	264.0	305.1	325.0
Interests to associated co's.	19.5	17.7	14.7	13.9
Intangible assets	16.6	16.8	16.7	16.6
Net current assets	68.9	61.7	101.5	103.0
Future tax reserve	21.8	23.9	26.8	27.5
Capital reserves	140.7	148.4	94.8	106.6
Revenue reserves	45.1	51.0	53.1	60.7
Ordinary capital	70.7	70.7	141.3	142.0
Gross sales and investment income	280.3	285.6	357.1	416.0
Profit after depreciation	29.6	37.0	50.4	56.4
Profit sharing bonus	—	—	2.7	2.8
Tax	13.8	17.2	21.2	23.9
Ordinary dividend	5.0	5.8	8.0	8.2

growth in stocks and some doubts about their replacement cost (particularly of copper) have prompted the company to increase its total appropriation to reserves from £13 million to £15 million, a figure that includes £2.8 million of investment allowances which the group will no doubt be sorry to see disappear. The retentions of profits are large, yet the group is not over-supplied with working capital.

Growth achieved and more growth planned are the highlights of the ICI accounts. Investors will not be surprised if the group presently needs more capital. If so, it should certainly be able to get it on good terms. Stockholders now number 63,720 (not counting the trustees of the profit-sharing scheme), and the yield on the stock—£4 8s. 2d. per cent at 45s. 4½d.—clearly presupposes further expansion. That is as near a certainty as any long-term investor is entitled to expect in this uncertain world.



Business Notes

Eyes on Wall Street

THE Wall Street market has come tumbling down again. On Wednesday the Dow Jones industrial average reached 480.16, compared with 492.69 a week earlier. The decline has held the London market in close restraint. The *Financial Times* industrial share index has dropped from 186.6 to 184.0 on the week, and there has been a notable absence of any expansion of business with the start of the new Stock Exchange Account. But London is not just a mirror of the Wall Street market: there were domestic reasons for the fall of industrial stocks in London, too, and the Whitsun holiday is not normally a period of expanding business. A fairly widespread fall in commodities comes as a reminder that the squeeze is still on, and that industry here and in other countries is no longer buying at the high rates of last year. The sharpest fall was in copper, which closed on Thursday at only £304 a ton for cash; rubber dropped to about 23d. a lb, the lowest price for over eighteen months.

Investors are now naturally watching America. They are wondering why a market recession on Wall Street that has so long looked overdue should have arrived at last, and whether it is the forerunner of an industrial recession. Perhaps they may conclude that though there is clear evidence of recession in the American motor industry, there is as yet little conclusive evidence of recession elsewhere. The sensible view is to accept the fact of a market recession in America, but not necessarily to presume a slump.

If Wall Street's setback is significant and prolonged, London will not avoid its broad effects, but at this present stage the potential reaction on London could easily be exaggerated. There is not, for example, yet much sign that the selected London stocks that were bought by American investors in recent months have been thrown back wholesale. It is a part, but only a part, of the picture that the whole American tax system is geared to discourage an operator from keeping his holding less than six months. If a capital loss rather than a gain is clearly inevitable, the considerations are different. There is some evidence that the selling at a loss of ICI around the end of December was made to offset capital gains on Wall Street. That problem is less pressing now, when the year-end is far away and capital gains on Wall Street are hard to find.

5½ Per Cent in Germany

THE *Bank deutscher Laender* sets a striking example of rigour, timeliness and independence in central bank action. Despite some opposition from the Bonn Government it increased the re-discount rate from 3½ to 4½ per

cent in early March; now the bank has raised the rate by a further one per cent. This increase was apparently approved by the Finance Minister, Herr Schaeffer, and the Minister of Economic Affairs, Dr Erhard, who attended the meeting with the central bank council last week. But although the government's power of delaying the application of the bank's decisions by one week was not used, Dr Adenauer himself has this week spoken out strongly against the rate of increase. In a speech at the annual meeting of the Association of German Industries, the Chancellor castigated the move as "a heavy blow to the German boom." Industrialists came out still more strongly against the deflationary measures—and against the proposed 30 per cent reduction in tariffs, on which Dr Erhard is also facing opposition from Dr Adenauer.

The latest increase in the re-discount rate has been made more effective by ending special privileges previously enjoyed by export finance. Exporters will no longer be able to discount their bills at the rates prevailing in the country to which the exports are sent; and the facilities of the commercial banks for re-discounting export bills at the *Bank deutscher Laender* will now be brought within quota limits, which have governed other re-discount facilities hitherto.

The German central bank's severe measures—which have resulted in spectacular falls in share prices—are designed to prevent inflation from emerging, though so far, in both the internal and external economy, inflation has barely raised its head. The bank authorities are worried about over-full employment, though the unemployment rate has never fallen significantly below 3 per cent. Prices are tending upward after many years of stability, but the extent of the movement so far has been small. Above all, as the bank itself states in its annual report published this week, "the external position of the currency continues to go from strength to strength." That is the difference between 5½ per cent in London and in Frankfurt.

Cars Far Below Capacity

IN April last year the British motor industry attained a peak output of more than 3,750 cars a day, and held roughly this level, seasonal fluctuations apart, until the end of the year. Its daily output this April, measured in numbers of cars, was about 17 per cent lower. If the industry has brought in any extra capacity to build cars during the last twelve months, it may now be working even farther below full volume than that figure suggests—though the number of cars produced, without any indication of size, is not quite a final measure of the volume of output.

Output in April, when allowance is made for the incidence

of Easter, was at about the same level as in March—about 3,100 cars a day instead of 3,125. Clearly, the recovery in sales indicated by the increase in new registrations in March—perhaps better described as the bunching of registrations into March that occurred this year—did not clear away enough cars from stocks to justify an increase in output during these two months. According to the industry, output in May is not likely to differ much from the two previous months; and during the next three months holidays may make it difficult to see how production is developing.

During March and April the rate of output of commercial vehicles also declined; in April this was about 10 per cent lower than in February, though still slightly higher than a year before. This fall seems largely to have derived from export difficulties; exports of commercial vehicles in April were about 11 per cent lower than in April, 1955, the decline affecting mainly the smallest vans and lorries. Exports of cars were rather better than in March though the number exported in April was still 25 per cent fewer than in the peak months of last year. It is too early to judge the industry's success in intensifying its selling efforts abroad and switching emphasis from home to export production. But it is clear that the extent to which total demand has now fallen below the capacity of the industry has brought about significant increases in cost—which when passed on regardless to the lukewarm British customer do not exactly boost sales, and which simply cannot be passed on abroad.

Success for Gatt

THE fourth round of tariff negotiations within the General Agreement on Tariffs and Trade appears to have been well worth the four months spent at the Palais des Nations in Geneva. Little had been expected of this series of negotiations, for the juice seemed to have been squeezed out of the orange by the previous rounds of negotiations at Geneva in 1947, Annecy in 1949 and Torquay in 1950-51. Although the details of the results will not be disclosed until June 7th when the 22 out of 25 participating governments which achieved new agreements will publish schedules of their new tariffs, it can already be claimed that the latest discussions were successful, as witness the figure of \$2,500 million which is the official estimate of the import trade of the participating countries affected by concessions negotiated. These concessions include not only actual cuts in tariff rates but undertakings to bind tariffs at existing levels. These bindings, particularly when they came from countries which had already reduced their tariffs to low levels, were justifiably regarded as fully equivalent to reductions conceded by countries with higher tariffs.

The main purpose of this fourth round of tariff negotiations was, however, to test and, if possible, take advantage of the new powers of tariff reduction that were granted to the President of the United States with the last renewal of the Reciprocal Trade Agreements Act. Under this Act the President can reduce any rate of duty in excess of 50 per cent *ad valorem* to that figure. Furthermore, he can reduce tariffs by 15 per cent of their January 1955 level by annual steps of 5 per cent in each of the next three years. The United States delegation at Geneva proved unexpectedly willing to exercise these powers—"unexpectedly" given the imminence of the Presidential election

and of the difficulties that are envisaged in steering the Organisation for Trade Co-operation bill through Congress. When the results of the latest tariff negotiations can be assessed it will probably be found that the United States has taken the lead in ensuring for this round of tariff talks more success than the sceptics were prepared to promise for it. Given America's share in world trade and competitive power such leadership is entirely appropriate.

Railways on Remand

TWO months after almost to the day, Mr Watkinson has explained the reasons which led him on March 19th to give the British Transport Commission half of the 10 per cent increase in railway freight charges that it had sought. They offer a fascinating view of the Minister's conception of transport economics and incentives towards efficiency. Mr Ernest Davies, for the Opposition, put the familiar questions effectively. Why had the Minister taken it upon himself, despite the counsel of the Transport Tribunal, to limit the railways to a 5 per cent increase, knowing that this would bring them further in breach of their statutory duty to pay their way? How did he suggest that a six months' stay on the remaining 5 per cent could meet the emerging deficit on the Commission's whole activities of £35 million a year? Did he seriously suppose that the new spirit that he professed to find abroad on the railways in mid-March could produce increased economies and greater efficiency capable of balancing their books by mid-September?

These were fair questions. The answers were less than convincing. After some experience at the Ministry of Labour about "willing the means," Mr Watkinson evidently decided in March to take a hand at willing some of the ends. Human relations, he found, were "not right"; put in more explicit terms, wages were too low, and he praised as "right, just and fair" the £20 million increase offered by the Commission, and promptly accepted by the men, last February. Then the Commission asked for £37 million in increased charges, but this, the Minister pointed out with the air of a man playing a minor trump, still left it with £18 million uncovered. He concluded that the "economic limit of raising charges had been reached." The mounting deficit could not be overcome by increasing charges "unless there are some countervailing economies." And the railways were "asking the Government and the country" to provide £1,200 million of resources for an industry which "at the moment does not appear to be able to make ends meet."

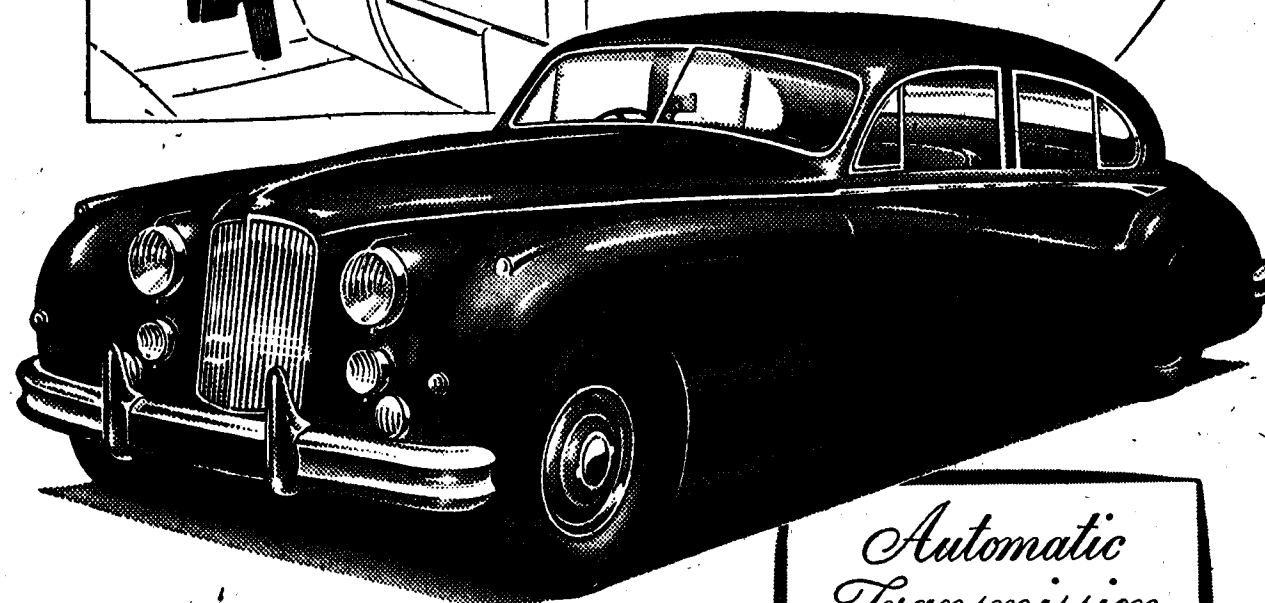
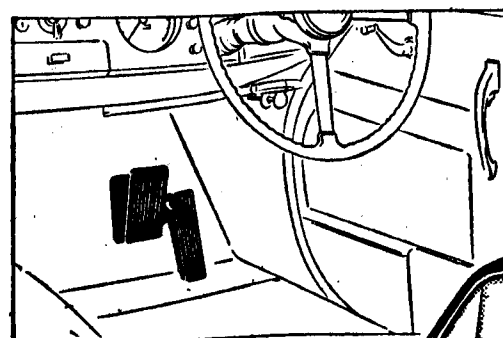
Hence the "six months' critical re-examination" of the whole railway system; hence, too, "the brake on increasing their charges until we can see and make a final analysis of their true position." But when he came to list the items in the "critical re-examination," Mr Watkinson put down all the self-evident things on which the Commission has long been working, none of which (except perhaps the belated decision on flexible charges for freight) belongs specifically or can be categorically solved, in this or any other period of six months. The Minister also succeeded in confusing the issue on the modernisation plan—seeming to suggest that if the railways were losing money it could not be justified (shades of the Southern Railway!) and at the same time that it must be speeded up.

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It was a gallant attempt to argue an impossible brief. Everyone knows that railway efficiency is unsatisfactory, though it has improved. Most fair-minded people would agree that ever since nationalisation, governments have inflated the railways' costs but have prevented them from recouping the increases, by delaying their consent to increased charges and by keeping them short of capital. Mr Watkinson has followed exactly the same line, and his attempt at rationalising his decision to give the railways half a loaf does nothing to dispel the sickening fear of British Railways in perpetual decline, propped up by a rickety concealed subsidy.

Small Change in Brazil

THE long-awaited reform of Brazil's multiple exchange rates has again been postponed: what the government has just done is of minor significance. The effective rates of exchange for the staple exports, coffee, cocoa, cotton and hides have not been changed. The rates for lesser commodities, which account for roughly one-fifth of total Brazilian exports, have been devalued by increasing the bonus paid to exporters over the official rate of exchange. The effective rate for exports of cotton linters, fruit, timber, carnauba wax, tea, manganese, iron ore, vegetable oil and some other items has been raised from 140.2 cruzeiros to the £ to 154 and the equivalent in dollars or other convertible currencies; this amounts to a devaluation of 10 per cent. The rate for exports of piassava, castorseed, soya beans and leaf tobacco is raised from 120.6 cruzeiros to the £ to 154, a devaluation of 28 per cent, and the rate for all other listed goods, mainly manufactures, is raised from 140.2 to 187.6, a devaluation of 33 per cent. These rates compare with the official rate—which nowadays has almost no significance—of 52 cruzeiros to the £ and with effective rates of 103.8 to the £ for coffee and 120.6 for cotton, cocoa and hides. There is something to be said for leaving the rates for the staple commodities unchanged and for encouraging exports of lesser commodities and manufactures. But while the government continues to shirk complete reform, few can be confident about its determination to check inflation and resist pressure from exporters of the staple items for more favourable rates for themselves.

Shifts in April Trade

THE value of British exports and imports showed little change in April, compared with the averages for the first quarter of the year, but there was a change in the composition and direction of trade, and the terms of trade deteriorated. Exports, at £256.4 million fob, contained a still higher proportion of engineering products and metals and a smaller proportion of textiles. Shipments of engineering products, at £105 million, were 1½ per cent higher than the record average of the first quarter; that mainly reflected increases in ships and boats (always a variable item) and of machinery, and shipments of cars and chassis

showed signs of recovery. At £10 million in April, cars and chassis were 7½ per cent above the first quarter average, though they were still far below the average of the first quarter of last year. Exports of metals were 2½ per cent higher than the first quarter average, at £37 million. Iron and steel shipments were 14½ per cent higher at £16 million but non-ferrous metals were down; shipments of copper products to Russia, at £862,000 in April, were less than half the average of the first quarter. Exports of cotton textiles declined further to £7.2 million; they were nearly 5 per cent below the first quarter's average and 25 per cent below the average for the same quarter of last year. Among imports, which totalled £327.4 million cif in April, there were seasonal changes in arrivals of foods and tobacco and basic materials. Imports of manufactures as a whole were almost the same as the first quarter average but imports of iron and steel rose further to £11.7 million, five per cent higher than the first quarter average and twice as high as the average for the same quarter of last year.

The balance of trade with the non-sterling area improved last month. Imports from non-sterling countries fell by two per cent to £191 million, compared with the first quarter average, while total exports to those countries rose by three per cent to £150 million, and the deficit fell by £9 million to £41 million. The reverse was true of trade with sterling countries. Imports rose by 2½ per cent to £137 million, while exports fell by five per cent to £120 million; the deficit with the sterling area rose sharply by £10 million to £16 million.

The deterioration in the terms of trade resulted from a fall of one point to 104 (1954=100) in prices of British exports; metals were the only exception to the fall. With the index of import prices unchanged at 106, the terms of trade moved to 102, the least favourable point reached in the last year.

Currency Expansion Slackening?

THE legal limit to the Bank of England's note issue—or, rather, to that 99.9 per cent of it known as the fiduciary issue—was last week raised by £25 million to £1,900 million, the highest it has ever been, except for a few weeks last Christmas. This does not necessarily mean that the nation's currency habits are still showing no trace at all of the Government's efforts to check inflation. The immediate cause of the revision of the limit was the withdrawal of notes from the Bank for spending over the Whitsun holiday; and at first glance these seasonal demands look reassuringly moderate. During the two weeks directly affected, the withdrawals totalled £12 million, whereas in the Whit weeks last year they amounted to nearly £30 million and in 1954 to nearly £24 million. Unfortunately the comparison with each of these years is hopelessly distorted by rail strikes, which caused the public and especially the commercial banks to carry larger amounts of currency. If the comparison is carried back to 1953 it is blurred by the special spendings associated with the Coronation.

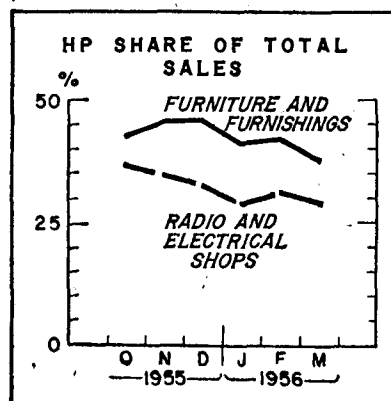
There are some signs, however, that the pace of the long phase of currency expansion may be slackening. At its seasonal peak last Christmas, the note circulation of £1,889 million was £130 million larger than at Christmas 1954; at its seasonal nadir of £1,771 million last February its

increase over the corresponding 1955 total was £114 million; and now the increase over the post-Whitsun total of 1955 is £102 million—with the actual circulation at £1,868 million. It is still not possible to be sure, however, how far this improvement arises from the currency demands of the public, as distinct from those of the banks. Last year's strikes caused the banks to hold a larger proportion of their cash reserves in the form of notes in their tills, and the sharpness of the decline in the total note circulation early this year was partly due to a reversal of this movement. Between December and March, the latest date for which figures are available, the banks' till money was reduced more steeply than in the corresponding period of 1954-55.

HP Squeeze at Work

RESTRICTIONS on hire purchase by raising the minimum initial deposit or shortening the maximum length of contract impinge on trade in two ways. They cut out the marginal buyer. Secondly, they force all the other hire purchase buyers to use more of their own money and less of the funds of the retailers or the finance houses. The number of contracts falls and the amount of financing per contract falls. It is the second of these influences that explains the sharp drop in the Board of Trade's hire purchase indices in March. Those indices still need to be treated with discretion, if only because it will not be until they have been running for a year that their seasonal shape will be clear, but there can hardly be a doubt that control was biting deeper during March.

As briefly reported in *The Economist* last week, the retail section of the index of hire purchase sales (December,



1955 = 100) fell steadily through the first quarter of this year. From 100 in December it dropped to 69 in January, 67 in February and 65 in March. The Finance House section of the index shows no clear trend; the index rose from 100 in December to 101 in January and 102 in February but

dropped back to 100 in March. But this section is heavily weighted by motor cars, and it certainly shows nothing of the normal seasonal rise in hire purchase motor sales in the spring. Most striking of all the evidence is a fall of about 7 per cent in the nation's outstanding hire purchase debt. It fell though the starting point is still vaguely "at least £450 million" at the turn of the year and "at least £419 million" at the end of March. The total amount outstanding on hire purchase is paid off gradually and its amount fluctuates much less violently than does the monthly volume of new hire purchase transactions.

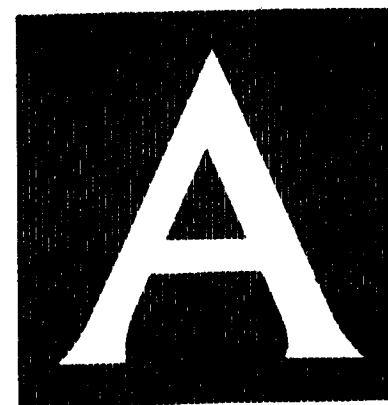
The Board of Trade has produced two useful new sets of figures this month. The hire purchase sales in the

retail section have been expressed as a percentage of total retail sales. The total for the household goods shops fell from 33 per cent last December to 28 per cent in March. The graph shows the changes for the furniture and furnishings shops and for the radio and electrical goods shops participating in the sample. The classification is by shop and therefore not precisely by type of merchandise. Nevertheless, the fall in the hire purchase percentage of the market shown in the Board of Trade's index for radio shops (which is by value at the gross retail price of the product, including deposit) appears somewhat sharper than that shown for the same (December-March) period by the British Radio and Equipment Manufacturers' Association, which reports numbers and not values of sales. The Association's figures show a fall in the hire purchase percentage of the market from 32 per cent to 31 per cent for radios, from 50 per cent to 46 per cent in television sets, but a rise from 52 per cent to 54 per cent in radiograms. The apparent discrepancy between the two sets of figures evidently means that credit has been spread more thinly over the contracts. Figures of credit per contract are also given for the finance house trade which represents largely vehicles. It shows a remarkably sharp drop in the credit per contract between February and March this year, doubtless largely reflecting the raising of the deposit on motor cars from 33½ per cent to 50 per cent. For new private cars the average credit dropped from £411 in February to £349 in March, for second hand cars from £225 to £184, and for commercial vehicles from £509 to £355.

China's Sterling and Trade

COMMUNIST China is rapidly emerging as one of the largest of Britain's short-term creditors. Its sterling balances have grown rapidly in recent months, and are now in the region of £100 million. China enjoys the normal transferable account facilities; and is using sterling freely in its transactions with other countries—both within the Communist bloc and outside it. It is believed to have used sterling to finance a number of purchases from Russia (which is short of sterling and periodically replenishes its balances by gold sales). China is also known to have settled its trade deficit with Egypt by substantial sterling transfers. The remarkable size of China's sterling balances is due in part to the surplus in its current trading account with Britain and other sterling countries (above all Hong Kong, with which China had a trade surplus of £45 millions in 1955). But part of the holding of sterling is China's reserve of foreign currency and the working balance needed for all Chinese dealings outside the Communist bloc. Thus with one country at least sterling has regained its cherished place as the principal medium of international exchange.

China is thus well placed to increase its purchases from Britain, and the possibility of its doing so was improved last week by the announcement that the Board of Trade will in future be more liberal in granting exemptions from the Chinese strategic embargo list. Since 1951, and the entry of China into the Korean war, this list has been considerably more stringent than the list applied to Russia and the European satellites. The logic of this distinction has never been



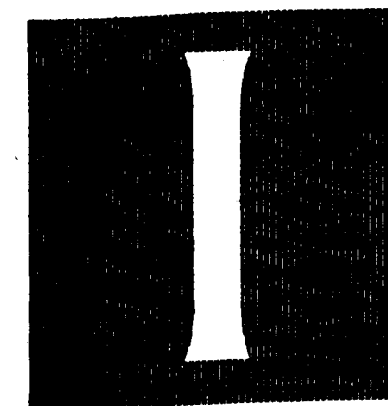
MAY 5 SILVERSTONE. Stirling Moss, driving a British Vanwall car, won the Daily Express International Trophy race here today. His car was fitted with a B.T.H. magneto, as were the Hurricanes and Spitfires which won a victory in the air for Britain.

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MAY 6 AIR MINISTRY. This was the hottest day so far this year. Happily forgotten therefore for a few months, are those awful moments when one is finally forced to emerge from a rapidly cooling bath into the icy air of the bathroom. Yet even in the depths of winter, a Premier electric fire, fixed to the wall of that normally chilly room, will create an atmosphere of summer warmth.

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MAY 7 ALDERMASTON. A sun powered radio receiver, a solar battery charger, and telephone equipment powered by the sun, are to be shown by the A.E.I. Fundamental Research Laboratory and by Siemens Brothers at the Royal Society and the Physical Society's exhibition. Solar batteries, which convert the sun's rays directly into electrical energy, may have a limited use in electronic equipment using transistors and in the field of telecommunications.



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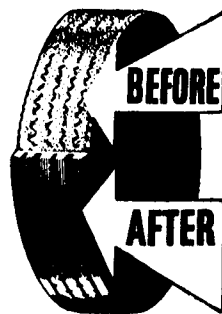
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clear; goods can always be re-exported to China by Russia, and in recent months suggestions from Britain and other European countries for ending discrimination against China have become stronger. The Paris committee of the Nato countries that watches over the common list ("Chincom") has agreed to a number of exemptions, including the export by Britain of tractors (of which, China has announced, it needs enormous numbers in the next few years). Following Sir Anthony Eden's visit to Washington in January, discussions have been in progress with the Americans on the possibility of scrapping the special China list altogether. The discussions are apparently continuing, but meanwhile the Board of Trade has in effect made a unilateral relaxation in the control by its new policy of making more concessions in its application. The exemptions apply only to goods that are not on the strategic list for Russia and the European satellites.

Anna Fades Out

THE Indian Government has now announced the new decimal system of currency on April 1, 1957. The rupee will remain the basic unit and its value will not be altered; but from that date one rupee will be equivalent to one hundred "naya paisa" (as the Ceylon rupee is divided into a hundred cents), the intention being that the sixteen annas that have hitherto made up the Indian rupee shall gradually disappear. A fifty naya paisa piece will supplant the present eight anna bit and a twenty-five naya paisa piece will replace the four anna coin. The first of the new coins to be issued, however, will be one, two, five and ten naya paisa pieces. Their purchasing power will be minute—five naya paisas might buy a somewhat shrunken box of matches. By first introducing the smallest of the new coins the Indian Government hopes to teach the public to think in tenths rather than in sixteenths. It does not intend to complete the change overnight and two, four and eight anna coins will continue to be legal tender after next April and will only gradually be withdrawn and demonetised.

In a recent discussion in the Indian parliament the official spokesman rejected a proposal that the new coinage should be inscribed "Satyameva Jayate" (truth alone triumphs) and announced that the change would be preceded by a nationwide publicity campaign explaining the denominations and nomenclature of the new units together with appropriate conversion tables. Assuming that it was necessary to put the rupee on a decimal basis (which has never been proved) the Indian Government seems to be going about the job in a workmanlike manner. The ready acceptance of the one rupee paper note, when wartime shortages made it impossible to continue minting silver in quantity, suggests that the Indian public is not hostile to innovation. The new currency will be fractional in the expenditure of the wealthy but for millions of others fifty naya paisas will represent a day's total expenditure. Those people will be the real judges of the new currency which will almost certainly prove easier to popularise than metric systems of weights and measures which are also reported to be contemplated by India.

Paradox in Coffee

COFFEE is in surplus but prices are not depressed. The paradox is easily explained. Supplies of mild coffee and high grade Brazilian coffee are barely adequate; it is the low grade Brazilian and robusta coffees that are plentiful. The Central American crops of mild coffee are almost sold out, leaving Colombia as the only substantial supplier until the new crops become available in October or thereabouts. Colombian coffee has recently risen by \$6 to about \$79 per 50 kilos fob. There is little high grade coffee left in Brazil, and prices have remained steady at about 480s a cwt fob for extra prime. Both types are near the top prices of this season. The announcement of the long-awaited currency "reform" in Brazil (which is discussed in a Business Note on another page) has removed for a time fears of a devaluation of the exchange rate for coffee, and buyers may now operate with more confidence.

While Brazil is able to dispose of its high grade coffee without difficulty it is faced with a substantial increase in its total carry-over this year. When the season ends on June 30th it is estimated that private stocks will amount to some seven million bags of 132 lb, compared with just over three million bags a year ago; in addition the government holds about three million bags, less than half of which is believed to be of exportable quality. The trade is naturally reluctant to finance a larger stock and is pressing the government to relieve it of part of the burden. The increase in the carry-over is more than enough to offset the sharp reduction in the 1956-57 crop, so that total supplies over the two seasons 1955-56 and 1956-57 should still be ample.

A Ticket to Moscow?

A FEW weeks ago the Soviet government gave SAS, the Scandinavian airline, permission to fly a direct service from the Scandinavian capitals through Riga to Leningrad and Moscow. The Russians have now made a direct approach to Pan-American World Airways about a service between the United States and Russia. Pan-American is the "certified" American carrier for this route and will accept the invitation if the American government approves, in spite of some doubts about the immediate volume of traffic. Although the Russians will presumably ask for reciprocal rights to fly into the United States, Aeroflot has no suitable aircraft at the moment to operate a Moscow-New York service. British European Airways has attempted to get similar rights to fly into Moscow but these are not likely to be granted until Aeroflot has a big enough fleet of Tu 104s to fly regularly between London and Moscow, although at least ten of these aircraft appear to be in service.

Flying a through route to Moscow would confront BEA with some difficult decisions about equipment. The corporation's fleet is based on turbo-props, but its routes are beginning to stretch over distances that would suit jet aircraft even better. Turbo-prop competition in Europe will intensify as the Viscount comes into general use and

as the Lockheed Electra (ordered by KLM) appears in Europe. A service to Moscow would have to meet competition from Russian jets from the outset, with the prospect of similar competition from American jets ending the last leg of their journey across the Atlantic at Moscow. It might, therefore, be necessary for BEA to run a small fleet of jets if it were to attract its share of the traffic on the Moscow route. It cannot decide on this until permission is granted, yet a decision could not be long postponed if the aircraft were to be delivered in a reasonable time.

The Seven Seas

THE Douglas Seven Seas airliner was given its certificate of airworthiness this week and Pan-American World Airways, which has taken the first deliveries, brought one of its airliners into London Airport on Thursday to complete the last fifty hours of test flying before starting scheduled operations across the North Atlantic on June 1st. In October, deliveries will begin to the British Overseas Airways Corporation, and BOAC should have the aircraft in service by January. The Seven Seas will be the last of the long line of Douglas piston-engined aircraft that began in the 1930s with the DC 3 and evolved progressively into their present enormous size. The Seven Seas has been stretched to the utmost limits to give it the power to cross the North Atlantic non-stop in both directions. Besides being the last of its type the Seven Seas is also the first of the true non-stop North Atlantic aircraft towards which designers have been working since the end of the war. Lockheed is working on an extended Constellation, the 1694, that will have an even greater range than the Seven Seas. No airline can hope to compete for first-class traffic on the difficult North Atlantic route if it cannot offer non-stop flights to match those of its competitors—hence the importance of early delivery of the Seven Seas to BOAC. But economically these gigantic airliners pose questions. They have grown larger and more powerful but they show little or no reduction in the cost of moving a passenger a mile. The airlines have looked to the new engines, jets and turbo-props, to break through this cost barrier; yet apart from the Viscount, with its relatively small and simple engine, these hopes, too, have yet to be realised.

Finding the Managers

IT is a common cry among industrialists that they are not getting enough young men of the calibre they need to take responsibility in the future; but reading the latest Acton Society Trust report on management* one loses sympathy for them in what is in large part a self-made predicament. Statistics assembled for 51 of the 65 firms employing over 10,000 people in this country reveal that management is to an increasing degree being recruited from the products of the universities and public schools,

* Management Succession: the recruiting, training and promotion of managers. The Acton Society Trust. 139 pages. 10s. 6d.

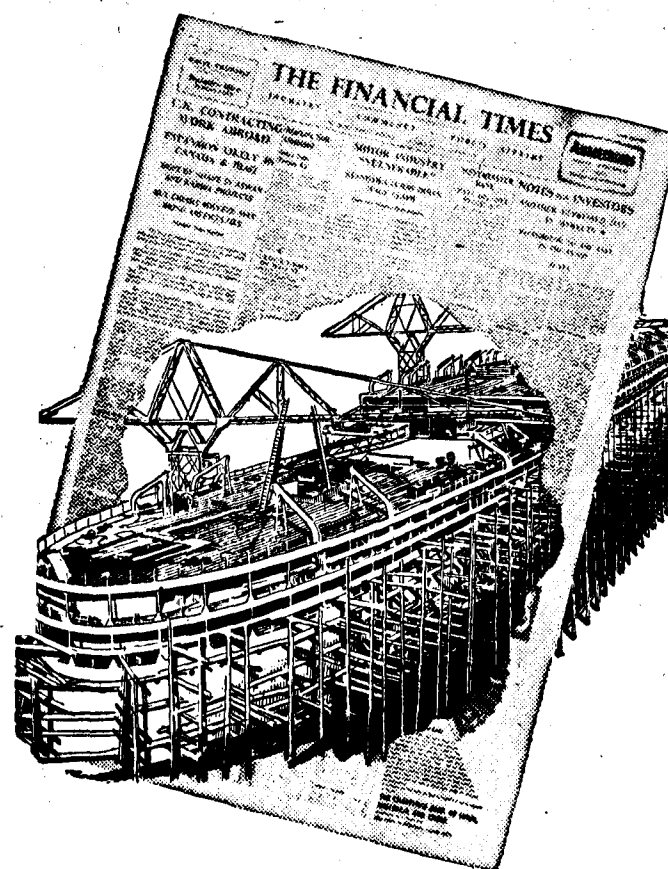
but that only one-third of the firms studied had any organised scheme for executive development (as opposed to some sort of personnel department). Some companies were understandably reticent when an attempt was made to check on the turnover of the graduates they recruited. If this is the state of affairs in the biggest firms it is easy to imagine how haphazard are recruitment and promotion in the smaller. It is a simple business principle that a scarce material must be used with economy and ordered up in advance of requirements. The personnel department of one firm makes a regular survey of future requirements for the directors and finds that "by the time X has been suggested as the right man for five different posts there is a greater appreciation of the shortages."

Notwithstanding these inefficiencies in recruitment and utilisation of managers, the Acton Society presents some dramatic charts showing how the proportion of men in management who started as clerks or manual workers is declining and how the proportion with degrees or professional qualifications is going up. Contrary to general belief, it is the good arts degree that seems to tell best, not a technical training. A list of the factors in a manager's past which have been advantageous or disadvantageous in promotion puts an arts degree at Oxford or Cambridge first in the list of advantages, a science degree seventh; while the worst disadvantage anyone can have in seeking promotion is to be a foreman. The Society found plenty of evidence of discouragement and bewilderment both among those climbing the somewhat rickety ladder of promotion, and of those on the factory floor who would like to be tried out on the first rung (a far higher proportion than is usually suspected). Big business is not the civil service; but neither should it give the impression to the ambitious young executive of being an elephant—"either it takes you for a ride or it sits down on you."

Credit Insurers Confer

THE international association of export credit insurers (the Berne Union) has come close to fulfilling the hopes of its founders. At the annual conference which ended in Cannes this week members came prepared to report on their trading accounts and experiences in a common manner, and more information was exchanged than ever before. The discussions relieved any anxieties that remained about the twin banes of all insurers: that growing competition would tempt some countries to do business at subsidised rates and to insure excessively long credits. Members were satisfied that each other's schemes were run on sound commercial lines and did not contain disguised subsidies or other artificial aids. A fairly solid front has been maintained against insuring exceptionally long credits; lapses from grace are still rare. Both the amount of credit insured and the maximum length of credit appear to have stabilised, with four to five years' credit as the normal maximum.

A comparison of credit terms insured confirmed that there were no significant differences between one country and another. That could hardly have come as a surprise, though it is in sharp contrast to what insurers are frequently told by their clients. It is a common ploy for an exporter



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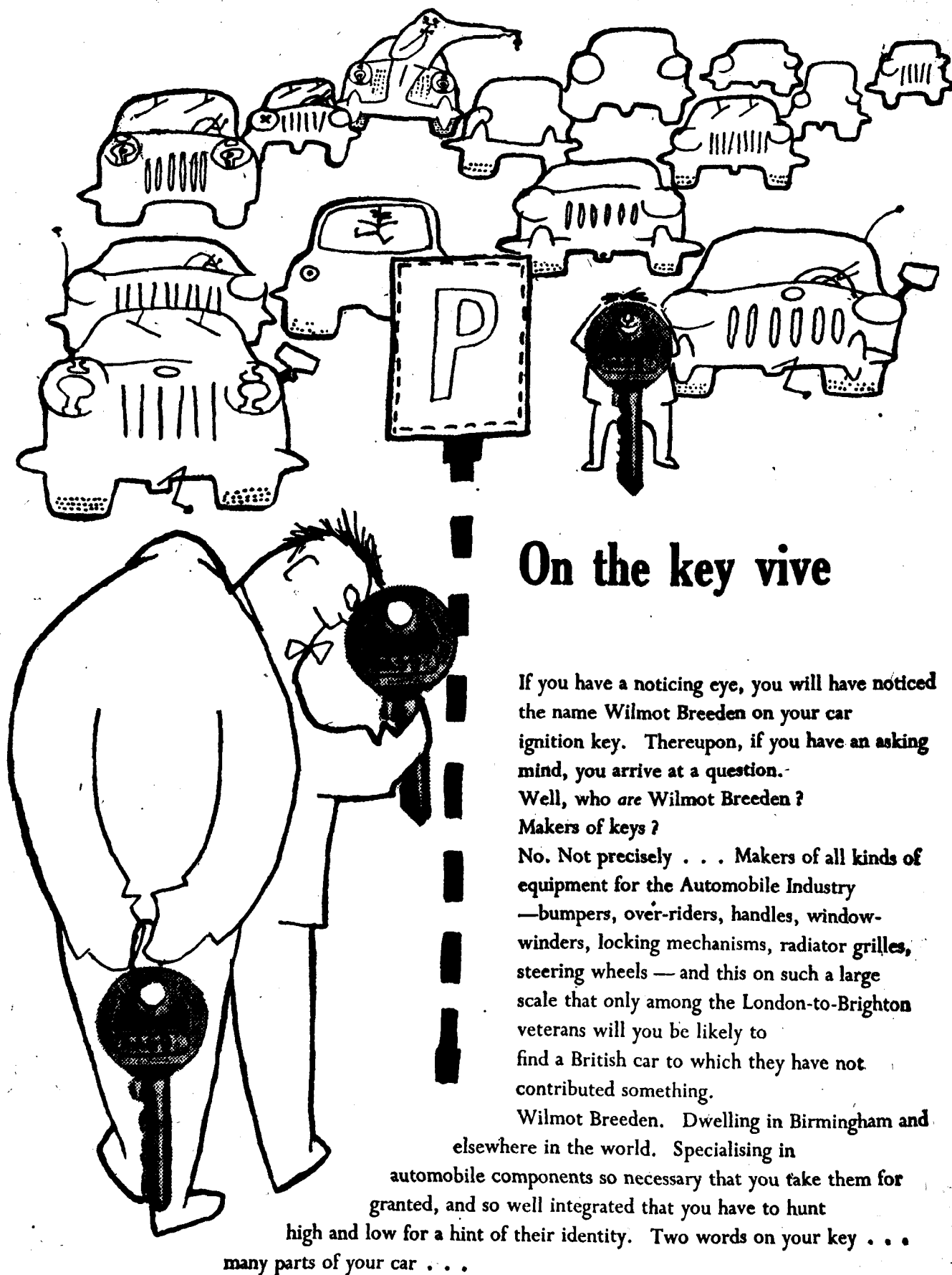


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to claim that his competitors abroad are being offered better terms of credit insurance. Nowadays the members of the Berne Union do not wait for the annual conference to check those claims; they simply telephone their counterparts abroad. Frequently the terms prove to be the same.

"Blue Circle" Dividends

THE preliminary statement of the "Blue Circle" group of cement companies does not contain consolidated profit figures for the whole group. But to stockholders ruminating on the bigger dividends and the proposed free

scrip issues this will appear as only a minor defect. The ordinary dividends for 1955 of Associated Portland Cement and its subsidiary, British Portland Cement, have both been set at 22½ per cent, compared with 20 per cent in 1954. The ordinary dividend of another subsidiary of Associated Portland, Alpha Cement, has also been raised from 30 to 35 per cent. All three companies report an increase in net profits, but while the gross trading surplus of Associated Portland has gone up slightly from £4,722,375 to £4,725,589, the gross profits of the two subsidiaries show a slight drop, with British Portland's surplus declining from £4,166,893 to £4,073,898 and Alpha's from £1,242,992 to £1,175,054. During a boom year the profits of the "Blue Circle" group have done nothing more than hold their own. This is one of the facts that stockholders must weigh

Pictures of World Oil

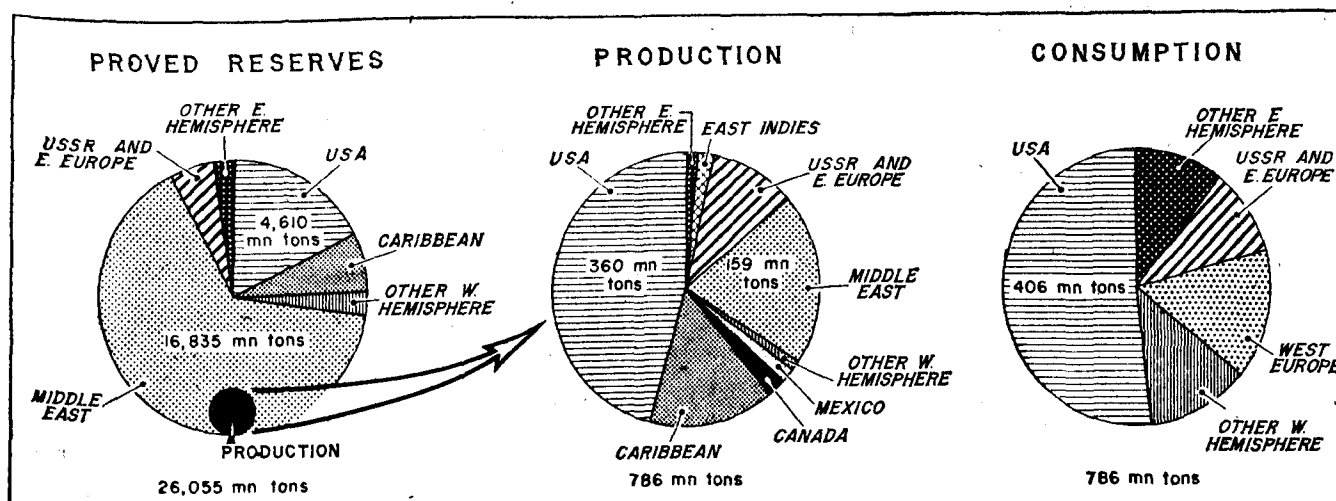
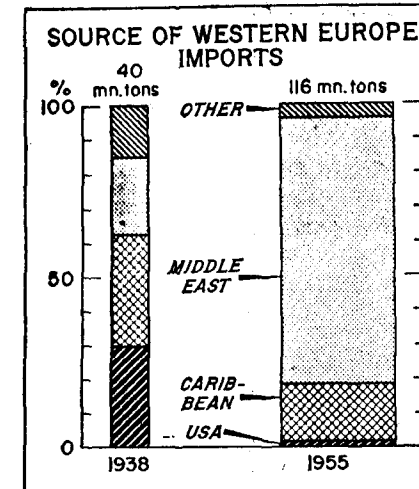
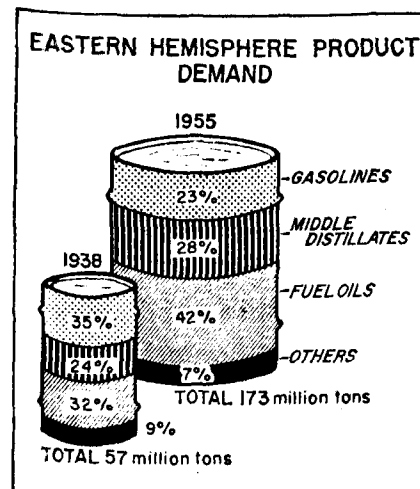
A STATISTICAL review issued by the British Petroleum Company last week shows clearly some of the fundamental changes that have occurred in the petroleum industry since before the war. World production and consumption have been rising at an average of 8 per cent a year since 1945. In the Eastern Hemisphere the trend of oil consumption has been rising nearly twice as steeply as in the United States,

although America still consumes more than half of the world output. Proved reserves at the end of 1955 were sufficient for another 33 years' consumption at the 1955 rate.

The most striking increase in crude oil output has been in the Middle East, where 159 million tons were produced last year compared with only 16 million tons in 1938. Also in the Middle East are 17 billion of the 26 billion tons of

world proved reserves, and an even larger proportion of the "possible" reserves, which are many times as great. In the United States, which has more than doubled its own crude oil output since 1938, the proved reserves are sufficient for only 13 years' production at present rates, and the United States has become a net importer to the extent of 11 per cent of its supplies.

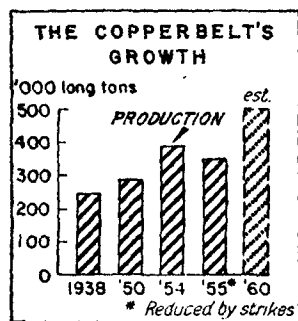
But the biggest changes have occurred in Europe. Before the war two-thirds of Western Europe's supplies came from wells and refineries in the United States and the Caribbean, and only 22 per cent from the Middle East. In 1955, when total oil imports into Western Europe were nearly triple the prewar volume, the Middle East provided more than three-quarters, and less than a quarter came from the Caribbean. Demand for fuel oils, which before the war accounted for only 32 per cent of the total, has risen over four times in volume, and now comprises 42 per cent of total demand. Conversely, the share of petrol, the demand for which has not quite doubled in volume during the same period, has declined from 35 per cent to 23 per cent.



after the scrip issues of 150 per cent from Associated Portland (raising its issued ordinary capital to £20 million) and of 200 per cent from British Portland (raising its ordinary capital to £16 million). The announcements of both issues, which are subject to the consent of CIC, contain the usual warning that the issues do not necessarily imply any effective increase in dividend payments. On the mathematical count of earnings an increase in dividend payments would not be impossible. But if the demand for building materials continues to increase the credit squeeze must in the end limit its rate of growth, and foreign markets may be less easy to penetrate than they were. Of more immediate moment, the industry's bill of costs is going up, and it will be interesting to see what profit margins emerge after the present undertaking not to increase prices before June 30th comes to an end. As the chairman of a rival group, Mr Halford Reddish of Rugby Cement, recently pointed out, substantial increases in costs have occurred since the undertaking to hold prices stable was given.

Raised Sights on the Copperbelt

THE Northern Rhodesia copper producers are confident that world demand will continue to grow, and they are also confident, as one of the world's low-cost regions, of their ability to share in that growth. Anglo American Corporation of South Africa, one of the two groups mining the copperbelt, will bring the Bancroft mine into operation next year with an initial output of 44,000 tons a year; output will rise to 86,000 tons by 1960. The other group, Rhodesian Selection Trust, has recently started producing at Chibuluma, a copper and cobalt mine with an annual output of about 16,000 tons of copper. Now this group has announced that further plans for expansion are being considered.



Speaking in Salisbury this week the chairman of RST, Mr Ronald Prain, said that exploration of the orebody to the west of the Mufulira mine had gone far enough to justify plans to expand output by up to 50 per cent; the existing capacity is not far short of 100,000 tons a year. The old Chambishi mine, development of which was abandoned in 1931 when the Mufulira orebody proved to be the more important, may be brought into production on a scale initially of something like that of Chibuluma. A 20-mile railway to carry ore from Chambishi for treatment at Mufulira was built in 1932.

Both programmes will be dependent on the supply of hydro-electric power from Kariba, scheduled to be available in 1960, and on an adequate railway capacity which still lags in Rhodesia. Mr Prain did not indicate the total cost nor how the financing—"a considerable operation"—was to be put through. On recent experience it seems improbable that Chambishi, though it has much of a shaft already in existence and is to start as a small mine, can cost less than £5 million. The Chambishi company's existing issued

capital is 550,000 £1 ordinary shares. Any new financing seems likely to be based on the proportions in which that capital is held—Rhodesian Selection Trust 64 per cent, Rhodesian Anglo American 32 per cent, and British South Africa Company 4 per cent.

Flowers, Frost and Horse Power

THE nurserymen watched ruefully whilst the dust was scuffed up by visitors along the paths at the Chelsea Flower Show this week. Much of the stock they were nursing through a hard winter has been lost—though fortunately the losses of their customers were heavy too. A cold spring has driven up the fuel bills of nurseries with extensive glass, making the prices of plants grown under glass considerably higher than they were last year. Now the prolonged dry weather threatens to be at least as serious as the late frosts. Some of the exhibits in the few outdoor gardens shown this year were suffering even on the first day. Of the seven gardens, five are given over to rock plants. One of the two formal gardens was J. Cheal's sophisticated, controversial design that well deserved the Royal Horticultural Society's medal, for it showed that landscape gardeners, for all the traditional nature of their calling, are capable of evolving new themes—in this instance advanced enough to startle some visitors.

The difficulty this year of bringing forward plants to stock the gardens may account for their smaller number, but the high cost of these spectacular exhibits, after a costly winter, must also have played its part. Applications for space under canvas, indeed, were heavier than ever. The range of plants shown was wider and more extensive than it has been for several years despite a notable absence of specimens tender to frost.

There were nearly 140 nursery exhibits, but they were outnumbered by the 170 stands devoted largely to means of mechanising the back-breaking job of gardening. Excluding such gadgets as spring-operated spades and weed-killer walking sticks, and not counting motor mowers (mechanical and electric), there are 13 different types of miniature tractors on display—a choice as wide, if not wider, than that which confronts the farmer. They range in size and price from 2 hp engines costing little more than £50 for the basic unit of tractor and hoe up to Ransomes' £335 baby rubber-tracked crawler. Many of these mechanical cultivators are bought for market gardens, but they are also going to the larger private gardens to offset ever-rising wages and the growing scarcity of skilled labour. They rank, as does the mounting variety of horticultural chemicals, as short cuts to good husbandry, part of a trend that has spread down from the large farms to the smallest suburban gardens.

Executives Under Strain

AFTER a heavy day at the office the businessman, almost proverbially, is in no condition to face anything strenuous in theatre, art or literature; but as the pace grows hotter, it is not just that the business man is tired but that

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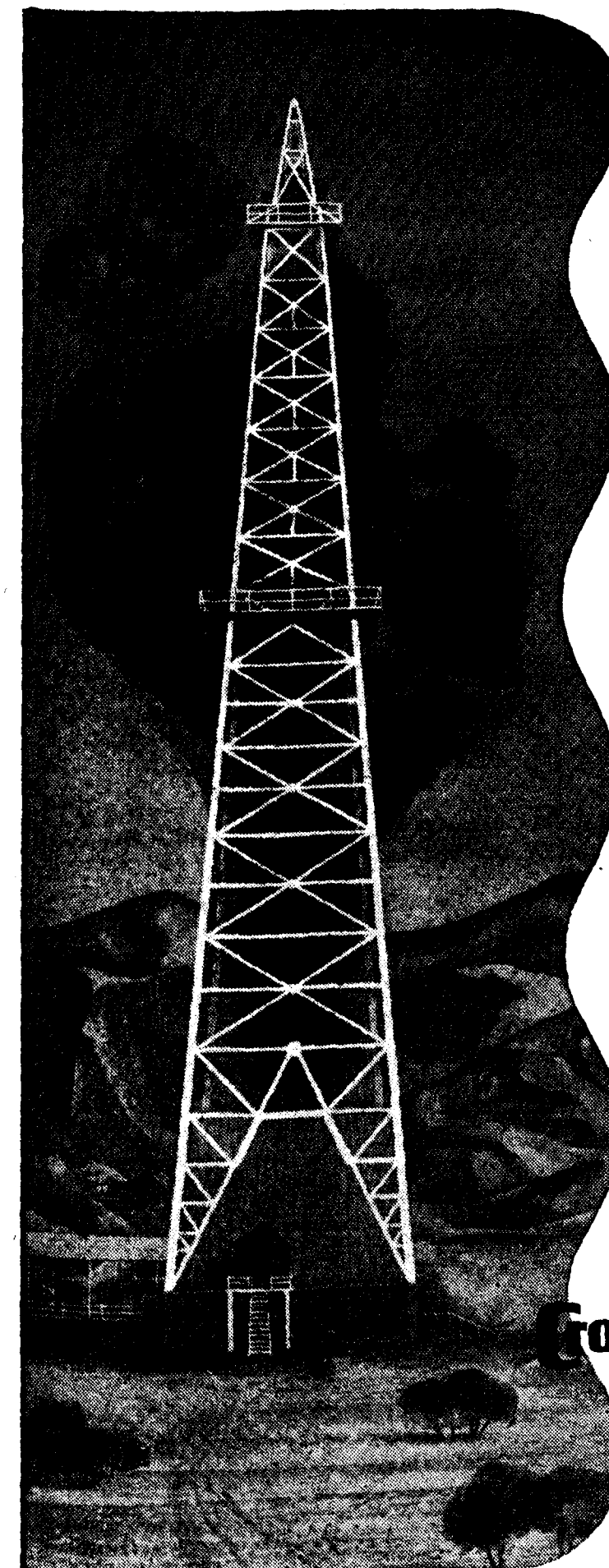
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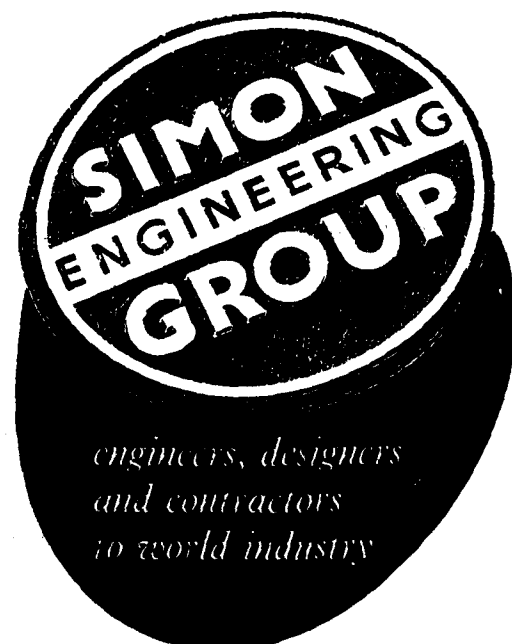
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he is becoming increasingly liable to serious occupational illness. "Ulcers" is the generic disease of mental and physical overstrain that goes with high executive responsibility; but though it is the one most owned to by American business men, "Managerkrankheit" in the German phrase can take many forms, amounting at worst to a type of business combat neurosis which at the least requires a month's holiday with compulsory golf, at worst psychoanalysis or some analogous and equally costly treatment.

British management, in particular, is faced with new dangers from exporting considerations, according to Mr J. J. O'Dwyer, principal medical officer of Unilever, Ltd., who has recently drawn the attention of the Royal Society of Health Conference to the effects of constant overseas travel. The executive going abroad into the front line of the fight for exports is warned not to think of this as in any way a holiday or even a mental change from the cares of the office; it is, on the contrary, an extra strain, involving a physical adjustment to a new climate as well as the usual 14-hour day of the top executive (counting—or possibly not counting—the business sociabilities inseparable from landing a worthwhile contract). This is no way to treat an ulcer. At the least, the doctors at the Congress urged, the executive should come back by boat. It is to be hoped that senior executives will take this professional advice seriously; and there may be something to be said for giving some inter-office publicity to Mr O'Dwyer's findings among executives who are spared the heavy burden of trips abroad. Some stay-at-home executives are even tempted to think they are missing something, particularly when a business trip happens to require the attendance of a wife. So they are, their peripatetic colleagues have now Mr O'Dwyer's authority to tell them, quietly but firmly—missing overwork, the risk of picking up typhoid or dysentery at some godforsaken restaurant, and the domestic nursing such misfortunes entail.

Rising Road Expenditure

A WARM bank holiday weekend at Whitsun brings out and concentrates along important routes a visibly high proportion of the 3½ or more million cars in Britain, and holidaying motorists stuck in long traffic jams—as most are sooner or later—are ready consumers of propaganda about road expenditure as the Roads Campaign Council found last weekend. But congestion is not the symptom only of peak holiday travel and one disquieting feature in recent road casualty returns (to the end of April ten per

NEW CONSTRUCTION AND MAJOR IMPROVEMENTS

	Govt.			Local Auth.	Total
	Auth.	Spent*	In hand	Spent	Spent
1952-53	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
1953-54	3½	2½	6	2½	5½
1954-55	5	3½	7½	4	7½
1955-56	20	5	23	4½	9½
1956-57 (est.)	27	8	43½	4½	12½
1956-57 (est.)	34½	14½	63½	5	19½

* Includes purchase of land and preliminary expenses.

cent up on last year) and in the latest police accident reports is the marked increase in the number of accidents apparently caused by vehicles following too closely behind each other.

Road expenditure is slowly gathering momentum under the government's £147 million four-year programme but progress is still measured more in schemes in preparation than in work actually being done. Between authorisation and commencement of work the details of planning and contracts may take a year or eighteen months. In the year to last March about £8 million was spent out of Exchequer funds on new construction and major improvements and £27 million of future work was sanctioned. Authorisations totalling £43½ million were carried forward to the present year, when spending is expected to reach about £20 million, including £5 million by local authorities. These authorisations include some of the new motorways. The contract for the Preston by-pass was placed this week. This will form part of the Preston-Birmingham motorway, and contract details for the London-Birmingham section of the London-Yorkshire motorway are now being settled. The programme has at least escaped the latest batch of cuts and the general aim for the rate of spending on new works by all authorities is still £50 million a year in about two year's time.

SHORTER NOTES

After a period of test, the first of the Calder Hall reactors is now working, and the transmission of electricity to the Whitehaven district should start in a few weeks. The full installation, consisting of two reactors and four turbines, will deliver 100,000 kW.

Full accounts of Marks and Spencer show that the company has continued its policy of rapid development. Freehold and leasehold properties have risen from £35,297,191 to £38,802,199, but the future commitments on properties in the course of development are down from £2 million to £1 million.

The interim ordinary dividend of Turner and Newall, the asbestos group, has been left unchanged at 5 per cent. But the cautious directors say that while trading conditions in the half-year to March 31st were "satisfactory," towards the end of the period the volume of sales was "tending slightly downwards," and in the home market some customers, affected by the credit squeeze, are reducing their orders. Abroad the volume of trade is "static and may be somewhat lower before long."

The directors of Carreras have again passed the interim ordinary dividend, although the provisional results for the half-year to April 30th are slightly more favourable than those for the corresponding period last year. For the full year to October 31, 1955, there was one dividend payment of 8½ per cent.

Company Notes

UNITED MOLASSES. The public thinks of the United Molasses Company partly as a commodity trader supplying molasses, which is a sugar product, partly also as a shipping company reflecting the fluctuations of the freight market, and particularly of the tanker section. That view is not wrong; the reason why in 1955 the company showed a profit before depreciation and tax of £5.2 million compared with £4.3 million in 1954 had much to do with the strong demand for molasses and much, also, with the favourable turn that shipping freights took in the last three months of the year. In the result the dividend is up to the equivalent of 29 per cent gross, compared with 22.1 per cent gross last year, when it was supplemented with a 4 per cent tax-free distribution from capital reserve.

The current development is that United Molasses is broadening its base. It is now a great deal more than a tanker plus commodity company. Through the Anchor Line the group owns an important fleet of passenger liners and cargo liners. It has important holdings with Tate and Lyle in Sugar Line and in West Indies Sugar Company. In Weymann's it owns a bus body building company and last year it was actively engaged in buying more manufacturing companies. For about £210,000 it bought all the capital of E. N. Bray, electrical control gear manufacturers, and at the turn of the year it broadened its investment in Olympic Portland Cement, a British registered company making cement in America, into a controlling interest. The cost of the 62 per cent holding in this company was about £749,000.

The main lines of the group's business have done well. In the molasses business itself the chairman, Mr G. W. Scott, reports stable prices and a further increase in consumption. Consumption in cattle feed both in Britain and the United States has expanded and in Britain the demand for molasses for distillation also rose, though the chairman still expects that part of the demand to shrink when the new synthetic plants now springing up are completed. Towards the end of the year molasses prices hardened and the company had to raise selling prices—but not, the chairman thinks, to a level that will prevent demand expanding. The sharp rise of about 32½ per cent to £3.2 million in molasses stocks must therefore owe something to price as well as to volume. On the shipping side the company should receive one more vessel next year to complete its second tanker building programme. But it has not stopped building. Since the close of the accounts it has ordered three bulk cargo carriers of 11,000 tons for delivery in 1958-59 and has reserved a berth for a tanker for delivery in 1961.

On one side only does the balance sheet show signs of discomfort. The substantial gilt-edged holdings have suffered in the credit squeeze and the company has wisely decided to write its gilt-edged

holding down to market value out of capital reserve, even though it may get back more than all the book loss if it holds its investments to maturity. After using £763,798 for that writing down, group reserves and undistributed profits still amounted to £13.2 million, compared with £12.9 million at the end of 1954. The chairman thinks that shipping freights are likely to remain higher than in 1955 and that, barring catastrophe, profits should not be less than those of last year.

MONSANTO CHEMICALS.

Two connected themes run through the valedictory statement of Mr Edward A. O'Neal as chairman of Monsanto Chemicals. One is the trimming of profit margins as competition intensifies and as costs continue to rise; the other concerns the development and research programme designed to bring new products into the Monsanto fold and to consolidate the business in existing products.

Last year Monsanto established another new record in the volume and value of its sales. That is to be expected; for the group has continued to add to its productive capacity, spending £1,257,801 on capital account last year. But the group's margins were so trimmed that its gross profits fell slightly, from £1,791,083 to £1,789,573 and the ordinary dividend was left unchanged at 22½ per cent. And Mr O'Neal evidently fears that margins will be further narrowed.

	Year to Dec. 31, 1954	1955
<i>Sales and earnings:—</i>		
Sales.....	12,634,616	13,499,986
Total income.....	12,662,053	13,638,566
Raw materials, fuel, etc.....	8,006,220	8,765,538
Depreciation.....	669,382	588,909
Loan interest.....	175,000	175,000
Wages, etc.....	2,020,368	2,319,546
Taxation.....	984,584	791,423
Dividends.....	404,250	422,625
Retained profits.....	402,249	575,525
<i>6s. ordinary share at 26s. 6d. yields 4 5s. per cent.</i>		

Perhaps the most significant of Monsanto's new ventures are the full-scale plant at Newport for the production of synthetic rubbers and Monsanto's direct venture into petrochemicals. On this Mr O'Neal says: "following discussions with Esso Petroleum Company Limited our two companies have reached agreement in principle in respect of an arrangement under which Esso have offered us a site for a new plant to be erected by us adjoining their refinery at Fawley in Hampshire."

CADBURY BROTHERS and ROWNTREE. The past year was a black time for the chocolate manufacturers. For fifteen years the industry had been subject to controls; last year it had to face the full force of competition. During the year, too, the price of cocoa fell from £400 to £250 a ton and the

manufacturers were forced to write down their stocks. To add to these troubles there were disputes with the retailers and wholesalers about profit margins. And, as in most industries, costs were rising. No wonder, then, that the full report of Cadbury Brothers and the preliminary report of Rowntree are bitter rather than full cream.

Both companies show an increase in sales. Sales by Rowntree were higher than the 1954 record figure of about £43 million, while Cadbury's sales on the home market rose by 6.3 per cent to just under £45 million, stemming from an increase of 3 per cent in tonnage. The value of Cadbury's export sales was lower than in the previous year, but it brought the company's total sales up to £47½ million. Including the sales of subsidiaries, the group turnover rose from £72.5 million to £76.3 million.

The costs of Cadbury's "ingredients, wages, materials and expenses," however, rose from £61.3 million to £69.4 million. This indicates a rise in operating costs, but also includes an unspecified amount written off stocks of cocoa. It cannot have been a trifling amount, for the Cadbury group carries heavier stocks than Rowntree, which had to write off £2,043,850 from its stocks last year. The final result is that both companies have left their dividends unchanged, but both have reported a sharp fall in net profits. Rowntree's net earnings have dropped from £1,887,341 to £366,740, while the net profits of Cadbury have fallen from £3,500,720 to £952,112. In the light of these results, the chairman, Mr L. J. Cadbury, says that the company has revised its capital development programme, postponing some projects, though much more on the side of amenities than on the side of production. All the chocolate manufacturers will continue to try to make production more efficient, for, as the recent price reductions showed, they are still locked in a competitive struggle, in which the smaller manufacturers rather than the giants may have to take the worst buffets.

BURMAH OIL. The first illustration in the full report of Burmah Oil is not, as some stockholders might expect, one of a dividend warrant from British Petroleum, but of the Chauk Oilfield on the Irrawaddy. Derricks and pagodas make a romantic combination, but it is the mundane (though prodigious) investments that gave Burmah Oil's dividends a fillip. The ordinary dividend was raised from 11½ to 17½ per cent and the accounts were closed before the bigger final dividends from BP and Shell were paid over. Out of the £13,632,789 of total income after depreciation, dividends on "other investments" contributed £6,776,119, compared with £2,884,504 in 1954. The profit on trading, after depreciation, contributed £4,381,880, compared with £3,855,048.

The comparison can be taken a stage further. In the consolidated balance sheet fixed assets, after depreciation of £6,987,547, are valued at £9,578,108. The

book value of Burmah Oil's "other quoted investments" (which exclude the £2,842,294 of British Government securities) is £32,088,863, compared with £10,714,505. That increase reflects the directors' revaluation of the company's holding in British Petroleum from 4s. to 20s. a share. That revaluation tells only a fraction of the story, for the market value of these investments at the end of last December was £164,738,704, compared with £127,052,750 at the end of 1954.

But in his review the chairman, Sir Kenneth Harper, devotes most of his attention to the company's trading in Burma, India and Pakistan. This trade brought in a bigger profit last year, but these profits came chiefly from the distribution of oil products, of which only 28 per cent came from Burmah Oil's indigenous production. But though Sir Kenneth has an interesting story to tell, the eyes of stockholders will surely keep returning to the £164 million of investments while the price of Burmah Oil's £1 stock units—currently 88s. 6d. giving a yield of about 4½—moves with that of British Petroleum.

J. & P. COATS. The directors of J. & P. Coats have left the ordinary dividend for 1955 unchanged at 8½ per cent. Since the announcement the £1 ordinary stock units have risen in an uncertain market from 22s. 6d. to 23s. 10½d.—a move that expresses less satisfaction with the dividend, which can never have been in danger, than with the profits which were good.

The group's loss on exchange has been whittled down from £4,200,000 in 1953 and £1,300,000 in 1954, when the losses occurred in Mexican and Brazilian currencies, to £245,000 in 1955. After charging these losses, the consolidated gross profit has risen from £8,638,512 to £10,878,524. If these losses are added back the trading surplus still shows an increase, from £9,938,512 to £11,123,524. The charge for British taxation on profits has fallen, from £2,449,984 to £2,280,661, but that for foreign taxation has gone up

from £2,541,507 to £3,221,740. These figures support the impression that it was the company's business overseas which contributed most to the improvement in trading results. So, also, does a comparison between the profits of the group and those of the parent company alone. The group's net profit after tax has risen from £3,647,021 to £5,376,123, while the parent company's net profit has risen, less sharply, from £2,459,450 to £2,718,804. At an ex-dividend price of 22s. 9d. the £1 stock units yield 7½ per cent, one of the smallest yields in the cotton textile list.

GESTETNER. The end of Gestetner's accounting year has been changed from August 31st to March 31st. Thus no firm comparison can be made between the profits earned in the seven months to March 31, 1956, and those earned in the year to August 31, 1955; indeed, the directors emphasise that "the results of the period covered by these accounts should not be taken as proportionately representative of a full twelve months' trading." Stockholders can if they wish take cheer from the fact that the ordinary dividend of 12½ per cent for the seven months is equivalent to an annual rate of 21.4 per cent, compared with 20 per cent in 1954-55, and need not read anything ominous into the apparent drop in the monthly rate of profits.

They should also note that the level of trading has been higher, bringing up the value of stocks in seven months from £1,641,810 to £1,750,385 and of debtors from £1,633,554 to £1,886,666. And the company is still expanding. Costs of production and distribution continue to rise and the full cost of recent wage increases is not reflected in the latest accounts. But the directors hope that the higher turnover for which the new buildings provide will go far to absorb increases in costs and so enable prices to be maintained. At the current price of 21s. 6d. the 5s. "A" ordinary shares yield about 5 per cent on the assumption of an annual dividend of 21½ per cent.

LONDON STOCK EXCHANGE

Next Account begins: June 6th

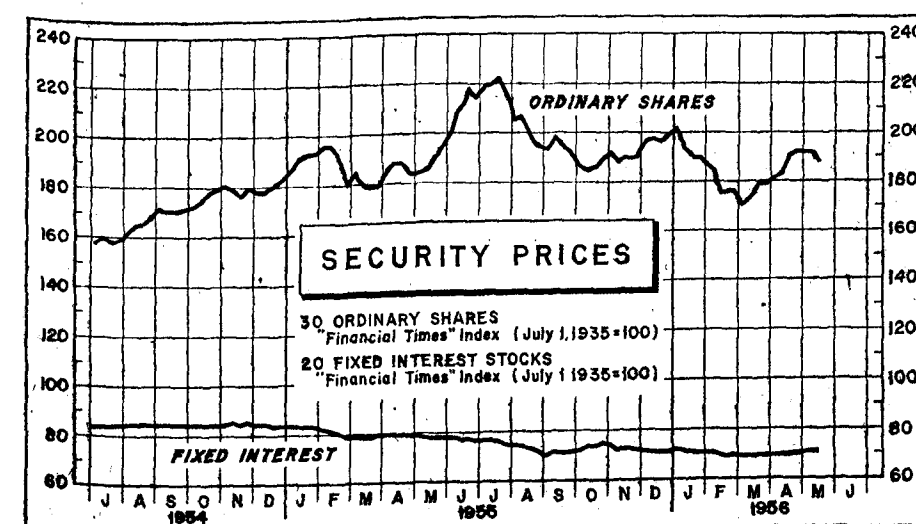
Next Contango Day: June 6th

Next Settlement Day: May 29th

SHORT-DATED Government stocks were again firm throughout the week, 5 per cent Exchequer 1957 moving up a fraction to 100½. Longer-dated stocks declined; 3½ per cent Gas 1969-71 was lowered ½ to 84½ and the 3 per cent stock 1990-95 ½ to 69½. Undated issues were scarcely changed; 4 per cent Consols were ½ lower and 3½ War Loan a similar amount higher. Industrial stocks showed scattered gains towards the close of last week, but declined this week. The opening of the new account on Wednesday brought little support, due partly to a decline on Wall Street and losses predominated.

Associated Portland Cement receded 1s. 3d. to 108s. 9d. before the announcement of the increased dividend and scrip issue, but then recovered 1s. Tarmac advanced to 80s. ICI lost 1s. 1½d. to 45s. 10½d. following the report. GUS "A" rose 1s. 9d. to 42s. 6d., but stores were generally easier, Woolworth losing 1s. 3d. Electrical stocks improved at first, but dropped back in the new account; C. A. Parsons gained 2s. 6d. to 88s. 6d., then receded to 85s. 6d., Plessey were 6d. higher on balance at 69s. and Reyrolle fell to 105s. 6d. after reaching 108s. 6d. Steel shares weakened on Wednesday and engineering stocks are generally unchanged since last week. Raleigh lost 2s. 10½d. to 36s. 10½d., BSA 1s. 6d. to 29s. 9d. and motors were again lower. Ford and BMC reached their lowest points this year at 31s. 4½d. and 6s. 11½d. respectively following the fall in production. Hawker Siddeley fell 2s. 6d. to 35s. Reckitt & Colman rose 2s. after the disclosure of higher profits.

Randfontein lost a further 9d. to 39s., but some Kaffirs were firm, Dominion Reefs gaining 3d. to 17s. 3d. De Beers failed to maintain a slight improvement and the deferred shares receded to 4½. London Tin lost an earlier rise of 7½d. and were quoted at 9s. 6d. 10d on Wednesday. Coppers eased at the same time and rubbers were depressed by the further lowering of the commodity price.



FINANCIAL TIMES INDICES

1956	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
May 17...	187.2	96.89	4.65	5.67
" 18...	187.8	96.92	4.65	5.65
" 21...	186.3	96.67	4.66	5.69
" 23...	184.0	96.46	4.67	5.77
1956, High.	203.5	99.37	Total bargains 1956 May 17 8.116	
" Low.	169.7	94.75		
" 21...	169.7	94.75	" 18 8.432	
1955, High.	223.9	115.97	" 22 10.587	
" Low.	175.7	98.23	" 22 8.522	
" 23...	175.7	98.23		

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, Jan. 1 to May 23, 1956		BRITISH FUNDS AND GUARANTEED STOCKS		Price, May 16, 1956	Price, May 23, 1956	Net Yield, May 23, 1956	Gross Yield, May 23, 1956	Prices, Jan. 1 to May 23, 1956		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, May 16, 1956	Price, May 23, 1956	Yield, May 23, 1956
High	Low					%	%	High	Low							
98 1/2	97	Funding 2 1/2% '52-57	98 1/2	98 1/2	2 17 2	3 19 5 1/2	85 6/-	64/-	7 a	8 b Babcock & Wilcox £1	76 6*	76 6*	3 18 11 1/2			
99 1/2	98 1/2	War Bonds 2 1/2% '54-56	99 1/2	99 1/2	2 13 0	5 0 3 1/2	13/-	9 4 1/2	3 1/2	10 1/2 b Cammell Laird 5/-	10 9*	10 9*	6 10 3 1/2			
95 1/2	93 1/2	War Loan 3% '55-59	95 1/2	95 1/2	3 3 9	4 10 10 1/2	35/-	28/-	8 c	8 c Dorman Long £1	30 3	30 3	5 5 10 1/2			
100 1/2	99 1/2	Exchequer 5% 1957	100 1/2	100 1/2	2 13 3	4 13 5	54 9	40/-	3 1/2	8 1/2 b Guest Keen N. Fold £1	50 9	48 9*	4 18 6 1/2			
99 1/2	97 1/2	Conversion 4% '57-58	98 1/2	98 1/2	3 2 9	4 16 2 1/2	55 6	41 6	15 a	4 b Metal Box £1	51 10 1/2	51 3	3 18 1 1/2			
97 1/2	95 1/2	Serial Funding 2 1/2% 1957	97 1/2	97 1/2	3 3 11 1/2	4 3 9	75/-	61/-	5 a	12 1/2 b Stewarts & Lloyds £1	67 9	67 9	5 3 8			
94 1/2	91	Conv. 2% 1958-59	93 1/2	94 1/2	3 8 3	4 8 5 1/2	48/-	39/-	4 a	8 b Summers (John) £1	47/-	46 6	5 2 8			
91 1/2	88 1/2	Exchequer 2% 1960	91 1/2	91 1/2	3 11 2	4 10 5	57/-	46 6	3 a	11 b Swan Hunter £1	55 9	55 9	5 0 6			
94 1/2	92 1/2	Exchequer 3% 1960	94 1/2	94 1/2	3 1 11 1/2	4 9 10	49 9	40 6	8 1/2 b	4 a United Steel £1	44 9	44 3	5 13 0			
88 1/2	83 1/2	Savings Bonds 3% '55-65	87 1/2	87 1/2	3 8 10	4 17 7 1/2	44 3	32 4 1/2	2 1/2 a	7 1/2 b Vickers £1	42 3	41 9	4 15 10			
91 1/2	88 1/2	Funding 2 1/2% '56-61	91 1/2	91 1/2	3 7 5	4 10 4 1/2	24 6	19 10 1/2	4 a	6 b Bradford Dyers £1	23 9	23 9	8 8 5 1/2			
82 1/2	78 1/2	Funding 3% '59-69	80 1/2	80 1/2	3 13 9	5 3 2 1/2	23 7 1/2	19 10 1/2	7 b	3 a Brit. Celanese £1	21 6	20 6	9 15 1 1/2			
92 1/2	87 1/2	Funding 4% '60-90	90 1/2	90 1/2	5 3 7	7 0 5 9 1/2	25 10 1/2	21 9	6 1/2 b	2 1/2 a Coats (J. & P.) £1	22 9	23 1/2	7 12 2 1/2			
81 1/2	76 1/2	Savings Bonds 3% '60-70	79 1/2	78 1/2	3 13 8	5 3 9 1/2	44/-	35 9	6 b	4 a Courtaulds £1	37 6	37 9	5 6 0			
91 1/2	88 1/2	Exchequer 3% '62-63	90 1/2	91 1/2	3 2 10	4 9 6 1/2	44/-	36 3	7 1/2 b	5 a Fine Spinners £1	16 9	16 9	14 18 6			
87 1/2	83 1/2	Exchequer 2 1/2% '63-64	86 1/2	86 1/2	3 7 2	4 10 4 1/2	21 3	24 4 1/2	5 a	7 1/2 b Lancs. Cotton £1	25 3	24 9	10 2 6			
81 1/2	76 1/2	Savings Bonds 2 1/2% '64-67	78 1/2	78 1/2	3 16 9	5 1 4 1/2	30/-	24 4 1/2	10 b	2 1/2 a Patons & Baldwins £1	28/-	28/-	8 18 6			
79 1/2	73 1/2	Savings Bonds 3% '65-75	76 1/2	76 1/2	3 9 3	5 0 1 1/2	31 7 1/2	26 9	3 1/2 a	6 1/2 b Bristol Aeroplane 10/-	21 3	21 1/2	4 15 3 1/2			
96 1/2	91 1/2	Victory 4% '20-76	93 1/2	93 1/2	3 1 4	4 18 1 1/2	9/-	6 9	8 1/2 b	4 a British Motor 5/-	7 3*	7/-	8 18 0 1/2			
83 1/2	78 1/2	Funding 3% '66-68	82 1/2	82 1/2	3 12 8	5 2 5 1/2	22 4 1/2	17 7 1/2	2 1/2 a	5 b Ford Motor £1	31 10 1/2	31 3	4 16 0 1/2			
88 1/2	83 1/2	Conv. 3 1/2% 1969	86 1/2	86 1/2	3 8 5	5 1 9	44 3	31/-	5 a	12 1/2 b Hawker Siddeley £1	37 6	35/-	5 0 0 1/2			
83 1/2	78 1/2	Treas. 3 1/2% '77-80	80 1/2	80 1/2	3 4 3	4 18 5 1/2	40 4 1/2	32 1 1/2	10 c	12 1/2 c Leyland Motors £1	46 3	46 3	5 8 1 1/2			
84 1/2	78 1/2	Treas. 3 1/2% '79-81	80 1/2	80 1/2	3 3 8	4 18 8 1/2	48 3	38 3	5 a	12 1/2 b Rolls-Royce £1	104 4 1/2	101 10 1/2	3 8 7			
72 1/2	67 1/2	Redemption 3% '86-96	70 1/2	69 1/2	3 1 0	4 14 3 1/2	115 10 1/2	85 6	6 a	8 b Boots Pure Drug 5/-	15 9	15 6*	4 10 1 1/2			
81 1/2	76 1/2	Funding 3 1/2% 1999-2004	79 1/2	79 1/2	2 16 11	4 13 4 1/2	18 10 1/2	14 6	20 b	7 1/2 a Debenhams 10/-	36 7 1/2	36 4 1/2	7 11 1 1/2			
84 1/2	78 1/2	Consols 4% aft. Feb. '57	80 1/2	80 1/2	2 17 10	5 1 3 1/2	38 6	29/-	45 b	15 a Gt. Universal 'A' 5/-	40 6	42 6	4 0 0			
77 1/2	70 1/2	War L'n 3 1/2% aft. Dec. '52	71 1/2	71 1/2	2 15 11	4 17 3 1/2	71 11 1/2	57 10 1/2	17 1/2 a	32 1/2 b Marks & Spen. 'A' 5/-	65/-	62 6*	4 0 0			
66 1/2	61 1/2	Treas. 3% aft. April '66	63 1/2	63 1/2	2 13 11	4 14 1 1/2	71 11 1/2	57 10 1/2	25 a	20 b United Drapery 5/-	21 1/2	20 9	7 16 8 1/2			
56 1/2	52 1/2	Consols 2 1/2%	53 1/2	53 1/2	2 14 1	4 14 4 1/2	25 6	19 1 1/2	20 a	36 1/2 b Woolworth 5/-	59 6	58 6	4 16 1 1/2			
56 1/2	51 1/2	Treas. 2 1/2% aft. April '75	53 1/2	53 1/2	2 3 11 1/2	5 3 9 1/2	64 10 1/2	56 6	75 a	10 b British Petroleum £1	138 1 1/2	142 6	3 13 3 1/2			
98 1/2	93 1/2	Br. Elec. 4 1/2% '67-69	94 1/2	94 1/2	3 2 11 1/2	5 3 9 1/2	97 6	63/-	5 a	12 1/2 b Burmah £1	88 1 1/2	87 6	4 0 0			
80 1/2	75 1/2	Br. Elec. 3% '68-73	77 1/2	77 1/2	3 11 3	4 18 4 1/2	81 1/2	58 1/2	6 a	14 b Royal Dutch 100 fl.	77 1/2	75 1/2	2 9 8			
79 1/2	73 1/2	Br. Elec. 3% '74-77	76 1/2	75 1/2	3 7 7	4 19 1 1/2	180 9	129 1/2	75 a	13 1/2 b Shell Reg. £1	166 3	170 7 1/2	3 16 9			
95 1/2	88 1/2	Br. Elec. 4 1/2% '74-79	91 1/2	91 1/2	3 0 2	4 18 1 1/2	43 3	31 10 1/2	21 1/2 c	75 a Trinidad Oil 5/-	39 3	39 3	3 19 9 1/2			
83 1/2	79 1/2	Br. Gas 4% '69-72	80 1/2	80 1/2	3 4 7	5 2 3 1/2	34/-	28 6	2 1/2 a	7 1/2 b Brit. & Com. wealth 10/-	33/-	33/-	4 17 0 1/2			
90 1/2	85 1/2	Br. Gas 3 1/2% '69-71	89 1/2	89 1/2	3 4 7	5 2 3 1/2	27/-	22 7 1/2	3 a	5 b P. & O. Def. £1	30/-	30/-	5 6 8			
87 1/2	82 1/2	Br. Gas 3 1/2% '90-95	84 1/2	84 1/2	3 7 3	5 1 6 1/2	45/-	87/-	14 c	15 c Assoc. Elect. £1	68 9	68 9	4 7 3 1/2			
73 1/2	67 1/2	Br. Trans. 3% '68-73	77 1/2	77 1/2	3 11 3	4 19 4 1/2	42 3	45 3	5 a	17 1/2 b Assoc. Port. Cem. £1	110 7 1/2	107 6	4 3 8			
80 1/2	75 1/2	Br. Trans. 4% '72-77	87 1/2	87 1/2	3 2 5	4 16 9 1/2	40 4 1/2	47 1 1/2	4 a	8 1/2 b B.I.C.C. £1	50 1/2	50 6	4 19 0			
90 1/2	85 1/2	Br. Trans. 3% '78-88	91 1/2	91 1/2	3 3 10	4 16 9 1/2	40 4 1/2	47 1 1/2	4 a	8 1/2 b B.I.C.C. £1	50 1/2	50 6	4 19 0			

(e) To earliest date. (f) Flat yield. (h) To latest date. * Ex dividend.
† Assumed average life approx. 11 years. ‡ Less tax at 8s. 6d. in £.

Prices, 1955		Prices, Jan. 1 to May 23, 1956		TRUSTEE STOCKS AND FOREIGN BONDS		Price, May 16, 1956	Price, May 23, 1956	Yield, May 23, 1956
High	Low	High	Low					%
94 1/2	79	80 1/2	77 1/2	Aust. 3 1/2% '65-69	80 1/2	80 1/2	5 7 0	113 6
101 1/2	87 1/2	87 1/2	82 1/2	Ceylon 4% '73-75	78 1/2	77 1/2	6 1 10 1/2	60 9
103 1/2	87 1/2	88 1/2	85 1/2	N. Zealand 4% '76-78	85 1/2	85 1/2	5 2 10 1/2	54 9
88 1/2	87 1/2	88 1/2	84 1/2	L.C.C. 3% aft. 1920	61 1/2	61 1/2	4 18 4	54 1/2
99 1/2	83 1/2	85 1/2	83 1/2	Liverpool 3% '54-64	85 1/2	85 1/2	5 7 1 1/2	60 1/2
84 1/2	65 1/2	68 1/2	64 1/2	M. Wtr. 'B' 3% '34-2003	67 1/2	67 1/2	4 15 2 1/2	65 1/2
102 1/2	94 1/2	97 1/2	94 1/2	Agric. Mort. 5% '59-89	95 1/2	95 1/2	5 5 9 1/2	37 10 1/2
122 1/2	91 1/2	102 1/2	102 1/2	German 7% 1924	107 1/2	107 1/2	...	24 9
213 1/2	149 1/2	187 1/2	187 1/2	German 5 1/2% 1930	191 1/2	190 1/2	...	25 9
212 1/2	160 1/2	208 1/2	208 1/2	Japan 5% 1907	219 1/2	219 1/2	...	24 9
254 1/2	190 1/2	260 1/2	247 1/2	Japan 5 1/2% Conv. 1930	255 1/2	257 1/2	...	24 9

Prices, Jan. 1 to May 23, 1956		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, May 16, 1956	Price, May 23, 1956	Yield, May 23, 1956
High	Low	(a)	(b)					%
50/-	41 9	5 a	7 b	Barclays £1	44/-	44/-	5 9 1	135 7 1/2
56 10 1/2	52/-	6 a	6 b	Lloyds 'A' £5, 11 pd.	54/-	53 6	5 12 2	88 9
72 4 1/2	66 10 1/2	9 a	9 b	Midland £1, fully pd.	70 6	70/-	5 2 10	50 6
70/-	63 3	9 a	9 b	N. Prov. 'B' £5, 11 pd.	66/-	65/-	5 10 9	10 11 1/2
77 9	70 9	8 a	8 b	Westmstr 'B' £4, 11 pd.	73/-	72 6	5 10 4	46
43 6	30/-	3 1/2 a	3 1/2 b	Alexanders £1	34 6	34 6	4 6 11	20 a
46 1/2	31 1 1/2	5 a	5 b	Nat. Disc. 'B' £1	36 6	36 6	5 9 7	80 a
50/-	40 6	6 1/2 a	6 1/2 b	Union Disc. £1	47/-	47/-	5 6 5	20 a
35 9	30 10 1/2	4 a	4 b	Banc. (D.C.O.) £1	32/-	32/-	4 3 3 1/2	20 a
41 9	33 6	7 1/2 a	7 1/2 b	Chart. Bk. of India £1	34 6	34 6	8 13 11	20 a

* Ex dividend. † Tax free. Gross yield. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 32 1/2%. (e) To earliest date. (f) Flat yield. (g) On 16%. (h) On 8 1/2%. (i) On 15%. (j) To latest date. (m) On 10%. (n) On 18% tax free. (s) On 6 1/2%. (u) On 11 1/2%. (w) On 14 1/2%.

May 16		May 23		May 16		May 23		May 16		May 23	
50 1/2	49 1/2	53 1/2	51 1/2	Inter. Paper	132 1/2	128 1/2	25 1/2	30 1/2	30 1/2	30 1/2	30 1/2
32 1/2	31 1/2	36 1/2	36 1/2	Nat. Distill.	85/-	85/-	11 10 8	11 10 8	11 10 8	11 10 8	11 10 8
42 1/2	40 1/2	46 1/2	46 1/2	Sears Roebuck	80 1/2	80 1/2	30 1/2	30 1/2	30 1/2	30 1/2	30 1/2
25 1/2	25 1/2	25 1/2	25 1/2	Shell	35 1/2	35 1/2	54 1/2	54 1/2	54 1/2	54 1/2	54 1/2
180 1/2	180 1/2	180 1/2	180 1/2	Std. Oil of N.J.	57 1/2	57 1/2	54 1/2	54 1/2	54 1/2	54 1/2	54 1/2
11 1/2	10 1/2	11 1/2	11 1/2	U.S. Steel	56 1/2	56 1/2	54 1/2	54 1/2	54 1/2	54 1/2	54 1/2
6 1/2	6 1/2	6 1/2	6 1/2	Westinghouse	54 1/2	54 1/2	46 1/2	46 1/2	46 1/2	46 1/2	46 1/2
20 1/2	20 1/2	20 1/2	20 1/2	Woolworth	47 1/2	47 1/2	21 3 5	21 3 5	21 3 5	21 3 5	21 3 5

New York Closing Prices

THE ECONOMIST, MAY 26, 1956

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Statistics

The following list shows the most recent date on which each statistical page appeared.		BRITISH		OVERSEAS	
Prices and Wages.....	May 5th	Production and Consumption.....	May 12th	Western Europe : Production and Trade.....	May 5th
Manpower.....	May 19th	External Trade.....	This week	British Commonwealth.....	May 12th
Financial Statistics.....	This week	Industrial Profits.....	April 14th	Western Europe : Prices and Money Supply.....	May 19th
World Trade.....	April 14th			United States.....	This week

UK External Trade

Imports are valued c.i.f. exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages			1955			1956			
		1953	1954	1955	Feb.	Mar.	April	Jan.	Feb.	Mar.	April
VALUE											
Imports :	£ million	278.6	281.2	324.1	309.5	365.5	319.5	346.3	309.1	330.2	327.4
Total	"	109.6	110.5	120.1	125.4	143.2	119.8	126.7	116.5	126.2	118.3
Food, drink and tobacco	"	87.9	85.4	93.8	83.9	103.7	92.8	99.6	83.6	82.9	92.6
Basic materials	"	26.1	27.4	34.1	29.4	35.7	34.6	36.1	34.2	37.2	35.5
Mineral fuels and lubricants	"	53.6	56.6	74.8	69.6	81.0	70.1	81.7	73.9	83.0	80.0
Manufactures	"										
Exports of UK produce :	"	215.2	222.9	242.1	232.8	260.3	244.8	257.9	246.1	271.3	256.4
Total	"	174.8	180.9	198.9	191.0	214.1	202.5	212.3	202.7	224.6	215.4
Manufactures	"										
Re-exports	"	8.8	8.4	9.9	9.0	12.6	8.3	14.2	13.5	13.3	13.7
Balance of trade (exports less imports)	"	- 54.6	- 49.9	- 72.1	- 67.7	- 92.6	- 66.4	- 74.2	- 49.5	- 45.6	- 57.3
VOLUME											
Imports	1954=100	99	100	112	114*	...	104*	119	106	115	...
Exports	"	96	100	107	111*	...	97*	112	107	116	...
BY AREA											
Imports :	£ million	52.9	51.6	70.2	62.6	80.1	66.9	69.9	69.8	62.6	65.6
Dollar area—total	"	21.1	23.5	35.1	32.7	39.9	29.9	37.8	34.1	28.9	31.0
" USA	"	25.5	22.7	28.6	24.7	32.9	30.7	25.4	26.3	25.0	25.1
" Canada	"										
Non-sterling OEEC countries	"	64.0	68.1	79.6	71.7	79.5	71.4	90.1	74.3	83.0	80.0
Sterling area	"	125.3	124.8	131.1	132.3	160.8	135.4	137.2	123.5	140.1	136.7
Exports :	"	33.7	31.3	34.8	29.6	33.8	35.8	34.5	41.6	43.3	42.7
Dollar area—total	"	14.3	13.3	16.6	13.1	16.9	16.3	17.3	19.6	18.6	19.1
" USA	"	13.4	11.3	12.1	9.9	11.1	11.8	10.3	11.7	13.7	16.6
" Canada	"										
Non-sterling OEEC countries	"	62.2	64.7	68.1	66.6	77.6	67.1	68.6	64.8	78.4	73.0
Sterling area	"	105.8	112.2	120.9	119.6	131.9	125.2	130.7	120.4	129.8	120.4
Balance of trade (exports less imports) :	"	- 19.2	- 20.3	- 35.4	- 33.0	- 46.3	- 31.1	- 35.4	- 28.2	- 19.3	- 22.9
Dollar area	"	- 1.8	- 3.4	- 11.5	- 5.1	- 1.9	- 4.3	- 21.5	- 9.5	- 4.6	- 7.0
Non-sterling OEEC countries	"	- 19.5	- 12.6	- 10.2	- 12.7	- 28.9	- 10.2	- 6.5	- 3.1	- 10.3	- 16.3
Sterling area	"										
TRADE IN SELECTED COMMODITIES											
Imports :	'000 tons	335.0	288.6	375.4	407.9	428.4	381.2	348.0	422.5	408.3	464.4
Wheat	"	63.1	56.3	67.1	73.7	85.8	87.9	99.9	68.0	100.6	59.4
Meat	"	247.4	201.2	186.6	135.4	268.0	267.4	171.8	247.9	209.8	289.2
Sugar, unrefined	"										
Raw cotton (1)	"	27.5	30.8	24.2	30.0	30.8	30.5	27.1	22.7	28.5	27.3
Raw wool, sheep's and lambs' (1)	"	63.2	51.6	55.3	62.7	74.2	67.0	84.2	56.2	50.1	65.5
Rubber, natural and synthetic (1)	"	18.4	20.6	24.6	26.6	25.9	21.7	20.6	23.8	27.4	17.1
Softwood	'000 stds.	119.1	122.0	140.6	87.2	106.0	79.7	88.4	55.2	51.5	58.7
Woodpulp	'000 tons	133.7	159.8	187.0	183.1	168.3	172.7	200.5	134.2	106.2	152.2
Crude petroleum	mn. galls.	558	606	602	575	623	656	598	640	598	663
Exports of UK produce :	'000 tons	1,400	1,351	1,196	1,069	1,189	1,048	914	856	826	767
Coal, including bunkers	mn. sq. yds.	59	53	46	52	54	46	41	39	40	38
Woven piece-goods—cotton	'000 sq. yds.	8,710	8,204	8,963	9,212	9,085	8,287	9,030	8,546	9,398	7,965
" " wool	"										
Passenger cars and chassis	number	25,181	30,487	31,100	34,085	35,470	38,233	28,465	24,271	28,898	28,749
Commercial vehicles and chassis	"	9,196	10,525	13,121	12,952	14,191	15,292	14,761	12,666	14,082	13,552
Agricultural tractors	"	7,807	8,908	8,720	9,637	11,565	10,170	8,630	8,249	8,028	8,943
Machinery—electrical	£'000	5,023	4,923	5,163	4,925	5,513	5,642	6,426	4,869	5,055	6,187
" other	"	30,145	30,553	34,669	32,824	35,963	35,161	39,751	35,911	40,474	39,285
Chemicals, elements and compounds	"	3,968	4,214	4,419	4,695	4,762	3,981	4,602	5,100	5,127	4,993

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 com-modities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Com-posite index	At current prices	At 1955 prices
	1947-49=100						1948=100			1939=100	\$	
1939	50.1	36.5	59.4	47.1	52.5	76.1	42	48	88	100.0	23.86	45.97
1954	110.3	95.6	114.8	112.6	104.3	119.1	120	101	119	229.8	71.86	71.65
1955	110.7	89.6	114.5	110.9	103.7	120.0	119	102	117	304.6	76.52	76.52
1955, December	111.3	82.9	114.7	109.5	104.7	120.8	121	106	114	333.8	79.71	79.55
1956, January	111.9	84.1	114.6	109.2	104.1	120.6	121	107	113	325.7	78.55	78.47
" February	112.4	86.0	114.6	108.8	104.6	120.7	...	...	...	330.0	78.17	78.09
" March	112.8	86.6	114.7	109.0	104.8	120.7	...	...	...	350.9	78.78	78.62
" April	113.7	88.0	...	...	...	...	...	...	...	355.4	78.39	...

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rate	Total industrial production	Manufacturing production						Building New construction; seasonally adjusted annual rates	Civilian employment ¹		
			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
1954	360.5	125	137	108	178	116	100	142	37.6	64,468	61,238	5.0
1955	387.2	139	155	140	203	126	109	159	42.2	65,847	63,193	4.0
1955, December.....	397.3 ^a	144	161	150	212	130	112	168	41.9	66,592	64,165	3.6
1956, January	398.6	143	160	148	205	129	111	165	41.5	65,775	62,891	4.4
" February		143	158	148	201	130	112	166	41.4	65,490	62,576	4.4
" March		141	157	145	198	128	107	166	41.5	65,913	63,078	4.3
" April		142	159	147	196	128	108	167	42.0	66,555	63,990	3.8

TRADE

	Personal consumption Annual rates \$ billion; seasonally adjusted	All business ¹		Total retail ²		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manufactures	Total	Finished goods	Imports	Exports
		\$ billion; seasonally adjusted				\$ million			1948=100			
1939	67.6	10.8	20.1	3.5	5.5	190	62	41	260	139	78	83
1954	236.5	46.7	76.9	14.2	22.1	853	200	193	1,247	811	120	119
1955	252.3	51.7	82.2	15.5	23.9	945	237	231	1,279	782	134	120
1955, November	257.2	53.2	81.6	15.8	23.6	1,051	248	252	1,308	769	147	120
1956, December	...	53.2	82.2	15.8	23.9	1,006	268	255	1,387	828	140	127
1956, January	258.8	52.9	82.8	15.7	24.1	1,047	269	255	1,263	767	146	114
" February	...	52.9	83.6	15.3	24.2	1,041	...	...	1,343	...	...	...
" March	...	53.1	83.8	15.7	23.8	...	...	...	1,562	...	...	...
" April	...	...	...	15.4	...	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics ³		Budget expenditure ⁴		Bond yields		
	Total	Labour income	Farm income	Total	Instal-ment	Invest-ments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	\$ billion; seasonally adjusted annual rates			\$ billion; end of period		\$ billion; end of period		\$ billion		Per cent per annum		
1939	72.9	46.6	4.3	7.22	4.50	23.4	17.2	9.0	- 3.9	0.023	...	3.01
1954	287.6	202.8	12.0	30.13	22.47	85.3	70.6	67.8	- 3.1	0.953	2.52	2.90
1955	303.2	215.5	11.0	36.23	27.90	78.3	82.6	64.6	- 4.2	1.753	2.80	3.06
1955, November	311.5	222.4	11.1	35.06	27.25	78.0	81.4	5.2	- 0.5	2.225	2.85	3.10
1956, December	314.3	223.0	10.6	36.23	27.90	78.3	82.6	5.7	- 0.8	2.564	2.88	3.15
1956, January	312.7	223.4	10.3	35.60	27.77	77.4	82.0	5.3	- 0.6	2.456	2.86	3.11
" February	313.3	223.5	10.5	35.27	27.78	75.8	82.5	5.0	+ 1.2	2.372	2.82	3.08
" March	314.9	224.6	10.2	35.54	27.96	75.2	84.7	5.4	+ 5.9	2.310	2.90	3.10
" April	...	...	...	...	...	...	...	...	...	2.613	3.05	3.24

(1) 1939 figures calculated on the basis of a smaller sample. (2) 1939 figures not strictly comparable with rest of series; stocks are at end of period.
(3) All commercial banks. (4) Annual figures are totals for the fiscal year ended June 30th. (5) Average for fourth quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended May 19th, 1956, there was an "above-line" deficit (after allowing for Sinking Funds) of £15,626,000 compared with a surplus of £12,102,000 in the previous week and a deficit of £16,691,000 in the corresponding period of last year. Net expenditure "below-line" last week reached £309,000, bringing the total cumulative deficit to £38,414,000 (£94,413,000 in 1955-56).

£'000	Esti-mate, 1956-57	April 1, 1955 to May 21, 1955	April 1, 1956 to May 19, 1956	Week ended May 21, 1955	Week ended May 19, 1956
Ord. Revenue					
Income Tax	2085,500	133,956	143,156	15,797	17,203
Stamp Duty	144,000	13,100	16,100	1,400	1,800
Death Duties	170,000	27,900	24,600	3,300	3,000
Stamps	58,900	9,500	8,200	1,100	1,400
Profits Tax, E.P.T.	216,750	19,100	20,300	2,500	2,900
Excess Profits Levy	4,000	6,300	1,100	400	...
Special Contribution	1,000	100	60	...	...
Inland Revenue	...	...	...	...	...
Total Inland Rev.	2680,150	209,956	213,516	24,497	26,303
Customs	1204,000	158,624	162,371	22,280	22,974
Excise	953,350	125,465	137,145	13,540	20,770
Total Customs and Excise	2157,350	284,089	299,516	35,820	43,744
Motor Duties	92,000	8,088	8,908	...	...
PO (Net Receipts)	10,000	5,250	6,750	2,850	3,550
Broadcast Licences	28,000	1,500	1,700	...	...
Sundry Loans	30,000	2,096	2,235	...	...
Miscellaneous	200,000	8,732	8,163	388	7
Total	5197,500	519,710	540,788	63,854	73,604
Ord. Expenditure					
Debt Interest	670,000	102,905	99,925	2,861	9,568
Payments to N. Ire-land Exchequer	61,000	5,517	6,332	...	...
Other Cons. Fund.	10,000	908	695	154	2
Supply Services	3979,685	443,295	460,551	76,350	79,200
Total	4720,685	552,625	567,503	79,366	88,770
Sinking Funds	37,000	3,654	3,640	880	460
"Above-line" Surplus or Deficit		36,589	30,355	16,891	15,828
"Below-line" Net Expenditure		57,844	8,059	12,298	309
Total Surplus or Deficit		94,413	38,414	28,889	15,835
Net Receipts from:					
Tax Reserve Certificates	19,650	31,828	471	1,317	...
Savings Certificates	6,900	6,500	1,600	1,200	...
Defence Bonds	1,758	22,646	9	956	...

FLOATING DEBT

(£ million)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1955					
May 21.....	3,270.0	1,768.8	295.7	...	5,334.5
1956					
Feb. 18.....	3,270.0	1,872.6	234.9	...	5,377.5
" 25.....	3,220.0	1,886.7	246.6	1.8	5,355.0
Mar. 3.....	3,210.0	1,908.9	243.0	...	5,361.9
" 10.....	3,210.0	1,594.3	254.9	...	5,059.2
" 17.....	3,210.0	1,624.2	254.4	...	5,088.6
" 24.....	3,230.0	1,561.8	315.2	...	5,107.0
" 31.....	3,220.0	1,568.0	294.6	...	5,082.6
Apr. 7.....	3,240.0	1,561.2	277.7	...	5,078.9
" 14.....	3,260.0	1,575.5	270.4	...	5,105.8
" 21.....	3,260.0	1,609.6	286.0	...	5,146.8
" 28.....	3,250.0	1,423.5	279.9	...	4,953.4
May 5.....	3,240.0	1,431.1	251.9	...	4,923.0
" 12.....	3,230.0	1,426.6	257.4	...	4,914.0
" 19.....	3,220.0	1,435.1	277.8	...	4,932.9

THE MONEY MARKET

CREDIT in Lombard Street has remained short this week. Before the weekend the Bank made small special purchases, and on Tuesday after the holiday three or four houses were obliged to take a very small amount at Bank rate, despite some small further special purchases. Up to 4½ per cent was paid for overnight loans. On Wednesday market supplies of credit were just adequate for demands. Throughout the week, dealing rates in July and August bills have remained at 4½-4¾ per cent.

At the Treasury bill tender on Friday of last week the discount houses maintained their bid at £98 15s. 3d. per cent, and as applications for the unchanged offer of £250 million fell by £11.5 million, to £393 million, the market's allotment rose from 42 to 47 per cent, and the average rate of allotment by id. to £4 19s. 0.6d. per cent. At yesterday's tender, the offer was cut by £10 million to £240 million.

Sterling has weakened slightly during the past week. The spot dollar rate fell from \$2.80½ on Thursday before the week-end to \$2.80½ at Wednesday's close. The deutschmark rose markedly against sterling as a result of strong demands following the increase in the West German re-discount rate. In the gold market, the price at the fixing has risen slightly, in sympathy with the decline in Thursday last to 248s. 2½d. on Wednesday.

LONDON MONEY RATES

Bank rate (from	4½	Discount rates	%
4½% 16/2/56)	4½	Bank bills: 60 days	5½
Deposit rates (max)	5½	3 months	5½
Banks	5½	4 months	5½
Discount houses ..	5½	6 months	5½
Money Day-to-day ..	3½-4½	Fine trade bills:	
Short periods	4½	3 months	6-6½
Treas. bills 2 months	4½	4 months	6-6½
3 months	5	6 months	6-7

* Call money.

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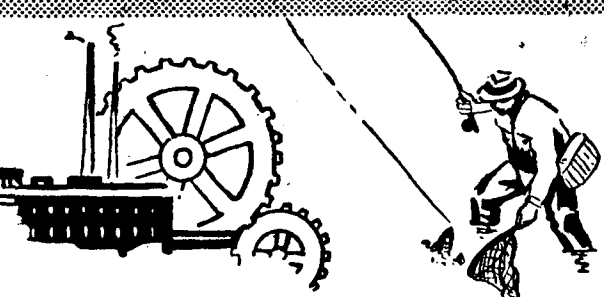
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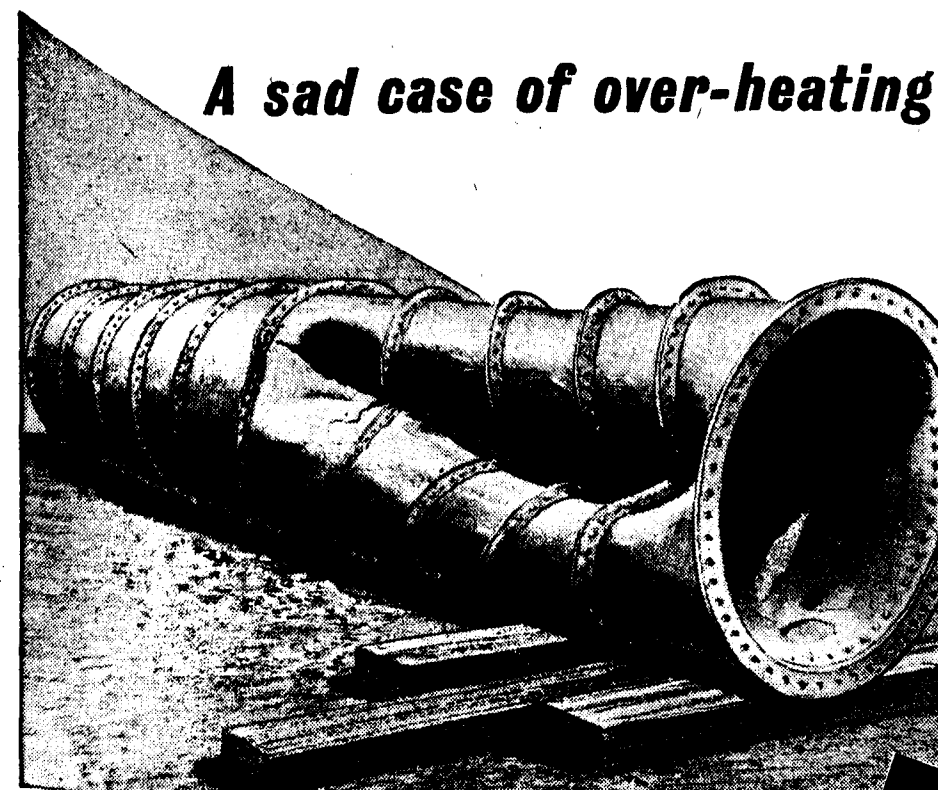
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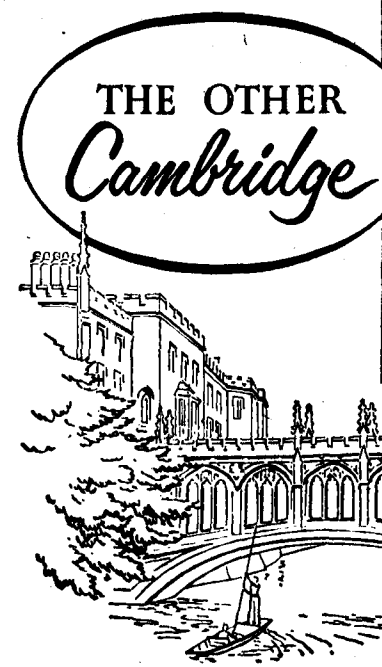
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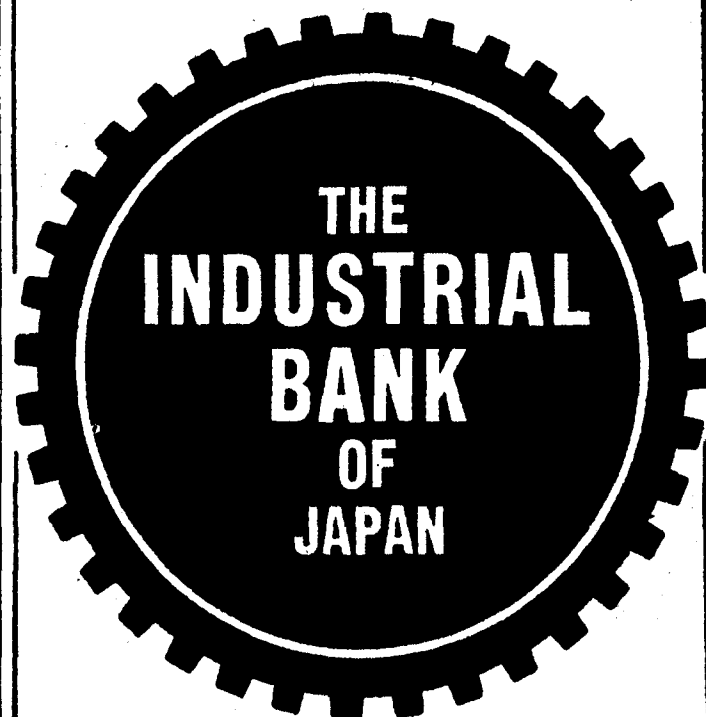
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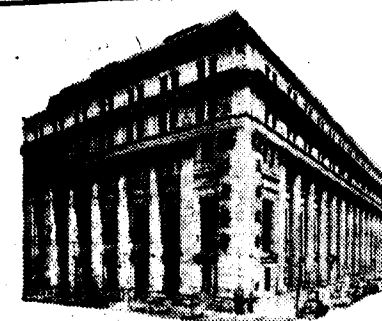


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COMPANY MEETINGS

UNILEVER LIMITED

THE IMPORTANCE OF GOOD MANAGERS IN INDUSTRY
ESSENTIAL REQUIREMENT FOR INCREASED PRODUCTION

KEEN COMPETITION FOR POTENTIAL CANDIDATES

INTERNATIONAL CHARACTER OF BUSINESS A SAFEGUARD AGAINST
UNIFORM MEDIOCRITY

LORD HEYWORTH ON COMPANY'S APPROACH TO A COMPLEX PROBLEM

The Annual General Meeting of the Members of Unilever Limited was held on May 24th at The Hall of the Chartered Insurance Institute, 20, Aldermanbury, London, E.C.2. Lord Heyworth presided. Addressing the Meeting the Chairman said:

THE MANAGERS

Each year the Annual Report and Accounts give you considerable information about the material assets of your business—its plant, equipment, buildings, capital expenditure, sales and profits—all things to which a money value can be attached. But they do not, and cannot, tell you much about the human side of the business, the people in it who "make the wheels go round."

Today I propose to say something about one important section of those people, the managers. Important to the shareholders, because without good managers neither this nor any business could thrive. Important to the employees, for without good skippers you cannot have a happy ship. And important to the communities we serve, because without good managers we shall not achieve the increased productivity upon which the improvement of standards of living depends.

The topic is of particular moment now when, with full, or overfull, employment in most parts of the world, the competition to secure the services of those who show an aptitude for management is keener than ever before. In this country, for example, when a young man of reasonable attainments comes today for interview, as often as not he comes prepared to weigh any job which you may offer him against the several other offers which he already has in his pocket. And even when you have caught your potential manager young, there is always the chance that on his way up the ladder you will lose him to someone else. The question is therefore one which today we must take very seriously.

To cover this subject fully would take a book, and today I can deal only with some of the high lights of our own experiences. Some of our problems are, no doubt, peculiar to our own business, an Anglo-Dutch partnership operating several hundred companies in more than forty different countries. I shall not presume to say to what extent others can apply the lessons we have learnt, and indeed are still learning. Let no one think that we are under the illusion that we know all the answers. On the contrary, we are aware that this is a field in which complacency would be followed by retribution even more quickly than usual.

Let us at the outset define our terms. It

seems to me that essentially a manager in our business is one to whom is entrusted, at whatever level, the supervision or direction of others. On this footing we have some 22,600 managers in Unilever, out of a total labour force of about 270,000. Managers, that is to say, form 8 per cent of the total. But inside the general pattern the proportion of managers to the whole varies from one part of the business to another, and from one country to another, not arbitrarily or because someone has been "empire-building" but because, as any part of the business and the country in which it operates becomes more highly developed, the art of management becomes more complicated and a higher proportion of managers becomes necessary. At one end of the scale is a business like our Plantations in Nigeria and the Cameroons, where both the country and the operations are still comparatively simple. Here the managers form only about 3 per cent of the whole. At another stage we have Indonesia, for example, where we have a business producing both detergents and edible fats, and here the proportion of managers has risen to 6 per cent. In the United Kingdom, confining ourselves to our operations in detergents, edible fats and other foods, oil-milling and toilet preparations, the proportion of managers to the total labour force has reached 11 per cent, and in Holland, with the same range of operations, it is about the same. In the highly sophisticated conditions of the United States, where our interests embrace detergents, toilet preparations, foods and oils and fats, our managers form no less than 15 per cent of the total of our employees. The pattern that emerges is that the higher the degree of mechanisation and the more sophisticated the environment, the higher will be the ratio of managers required.

VALUE OF SPECIALISTS

My broad definition of managers as people who control or direct others needs one qualification in respect of some of the specialists—scientists, research workers, craftsmen, expert advisers on economics, international affairs and so on. Some of these do in fact lead small teams or have a handful of assistants and therefore control others, but others work on their own, with perhaps only a personal secretary to help them. But the value of all these specialists to the business is very great, in some cases greater perhaps than some categories of managers, and in Unilever we do in fact regard them all as equivalent to management.

Our managers fall into three main categories. At the base of the pyramid there are the junior managers, numbering about 16,400.

Of these there are some 5,000 in this country and 800 in Holland. This category includes the foremen and supervisors, the men and women on the factory floor or in the office who are the first to carry responsibility for the running of a small group and who are all people who have to understand the art of handling, or "managing," other people.

Next comes the large class of middle and senior managers totalling about 6,000. And, at the apex, we have the top management, the two or three hundred people who take on themselves the decisions which make or mar the success of the business as a whole. It is not possible to draw a hard and fast line between the place where the main body of management ends and the top management begins.

MERIT—THE ONLY TEST OF
SUITABILITY

At the outset let me say that the only test which we apply to determine a man's suitability to enter our managerial ranks is that of merit. There is no question of demanding a particular social or educational background. An increasing proportion of prospective managers have had a university education but my forecast is that in future, as today, many Unilever managers will be men who came in at one of the lowest levels, who "came up the hard way" and whose qualities of leadership were developed after they had joined the business. We try to see that in our business there is always a ladder by which a man with the right qualities can climb to the next stage. If we succeed in this, there will always be found at every level of our management men whose only university has been what William Lever used to call the University of Hard Knocks.

In analysing this large subject of management the methods by which our managers are selected form a logical starting-point. Selection, like the other operations of our business, is a matter in which we find that decentralisation is essential. In general, therefore, it is left to the individual companies and local managements throughout the world to do their own selection, whether from within their existing ranks or by recruitment from outside. They can and do, however, draw upon the common fund of knowledge and experience which has been accumulated by our Personnel divisions at Headquarters and as a result we find that the technique of selection everywhere conforms more or less to a common pattern, but this is flexible and capable of adaptation to suit particular circumstances. I do not propose to describe the technique in detail. There is nothing mysterious about it and we are neither the inventors nor the sole users. One

basic principle which is commonly followed, particularly when assessing candidates for the higher grades, is that the qualities of the potential recruit are assessed not merely by individual interview but also by seeing him perform as one of a group, which lets him show whether he possesses such obviously desirable qualities as intelligence, common sense, organising ability, and the ability to get on with others. We know very well that selection procedure of this kind is not perfect. There is, for example, still a danger of choosing the pleasant talker and easy mixer to the exclusion of the rough diamond and the gifted eccentric. But at least, in realising the danger, we have gone some way to meeting it: and we think that a procedure of this kind, though we are always trying to improve it, enables us to make fewer mistakes than any other form of selection which we have been able to devise. It is worth noting that although the advice of the personnel specialists is available throughout, the actual selectors with whom the final decision rests are active executives from all parts of the business. These are the men who know by the hard test of practical experience the sort of men they want as managers, and therefore it is important that they should spare the time from their ordinary duties to take part in this business of selection.

TECHNOLOGICAL SKILL AND
MANAGEMENT

I have mentioned some of the qualities for which our selectors look. But there are managerial posts in the business for which these qualities alone will not suffice and which, particularly on the technical and production sides, can only be filled by the man who has in addition the right technological skill. Similarly, there are posts for which a knowledge of accountancy is essential. Some men, therefore, are picked primarily for their specialist knowledge and we pay special attention to developing their general management ability in the business. But the man must have the germ of leadership within him, and it does seem in general to be harder at the stage of initial selection to detect this germ in the technical man than in the non-scientist.

My own feeling about this is that we may have to recognise that for the man reading science at the University today the curriculum is so specialised, and so much time has to be spent in the laboratory and lecture room, that it is up to us, once he has joined us, to pay special attention to helping him to broaden his outlook. Certainly we know from our own experience that technological skill and management ability are far from incompatible.

BACKGROUND OF THE CANDIDATES

What is the background of the candidates for management posts in Unilever? One result of trying at every stage to leave the road open for the man of ability to climb to the next level is that many of those who come to our management selection boards are internal candidates, men coming up from the ranks. In one sense, of course, everyone at the moment of first joining the business is an external candidate. In talking of internal candidates for management posts I mean people whose first recruitment was on a lower level, not specifically for management, but whose potentialities for that grade have become apparent after they joined us. It is an important part of the job of every company chairman and his advisers to be on the watch for talent of this kind, to nurse and train it and, when the man is ready, to bring him forward for consideration. It may seem a departure from the principle of decentralisation for the company to send a man

to a central selection board. But apart from the fact that this corrects the inevitable differences in the standards of judgment of individual chairmen, we have found that companies often welcome this chance of an independent assessment and a second opinion of a man's worth, not from Personnel experts but from colleagues in the business who are in the same general stream as themselves. The proportion of internal to external candidates varies from country to country. For the scheme which we run in this country they now provide about half of the successful candidates, while in Holland the proportion is at present considerably less.

Of the recruits from outside—I am now talking of men whom we take on specifically as potential managers—many have had a university education, but this is by no means a necessary qualification. It is largely a question of age. Men who want to join us specifically in a managerial role are usually in their early or middle twenties and with increasing facilities for higher education more and more of the men of ability in this age-group have in fact been to a university. We are, however, content to take on a promising boy a few years younger than the University candidates, train him for a few years and then let him show his paces to the selectors with others of his own age, against whose university education he can now set the advantage of some years' training in the business. But at present, the bulk of external candidates in their early twenties who come to our selection boards, certainly so far as this country and Holland are concerned, has had a University education.

INDUSTRY AND THE UNIVERSITIES

In Holland, men who intend to make business their career usually read law or economics, but our experience in the United Kingdom is that a degree in any field can form an adequate background and provide suitable mental training for the general side of business, though there are as I have said many posts for which a technological education is essential. In the United States, education specifically for a career in industry has long been more highly developed than in Europe and a much higher proportion of those who graduate do so in economics or commerce. In addition there are in the States many schools of business administration which have no counterpart over here. For this difference there are a number of reasons. For one, the status and prestige of industry in the States is second to none, whereas in many other countries it has taken longer to become recognised as a first-class career. For another, until the days of the great depression comparatively few young men in the States were attracted to Government employment, nor were there opportunities for Imperial Government service abroad. A higher proportion therefore tended to go into industry and commerce, and the Universities allowed for this in the education which they provided. And it is not only the attitude of the universities to industry which affects the issue but of industry to the universities. In this respect the climate is changing fast and over the last generation or so industry in the United Kingdom and Holland has been rapidly losing its traditional resistance to the employment of graduates, while the universities, for their part, are increasingly ready to co-operate with industry.

TRAINING THE POTENTIAL MANAGER

Let us now return to the man starting out on his career as a manager in Unilever and say something about his training.

First and foremost, the most important training is that which is done individually and on the job, and it must be flexible and selective. There is no general scheme of training into which everyone will fit, no universal and all-embracing sausage-machine into one end of which you can put a trainee and expect a trained manager to emerge at the other. To change the metaphor, training should be tailored to measure, not ready-made off the peg. Therefore we do not start by sending the potential manager to a training school. Immediately, or after a short settling-in period, we give him a job, and in that job he starts to learn the art of being a manager. We do not expect him to work out the answers for himself by the light of nature, and we do expect the man above him to spend a good deal of time and trouble in the training of his subordinate. This training of the men under them is a vital part of the work of all managers, and the man who neglects it or regards it as a waste of time is unlikely himself to reach the heights.

Training, then, starts on the job. We try to avoid any emphasis on privileged categories of learners wearing the equivalent of the officer cadet's white cap-band. Experience has shown that the creation of a special class of this kind causes the trainee to be regarded by those with whom he works as a kind of hot-house plant going through Unilever life with a special label—an unhealthy state of affairs for everyone.

To this basic training on the job, courses provide a most valuable reinforcement, and in these post-war years we have greatly extended this form of training. Those which we run ourselves are of two main kinds. There is the general course, primarily designed to give a man the broad picture of industry and its economic background, and to tell him something of Unilever as a whole. In this category we have courses for supervisors, which have been greatly developed in recent years. Indeed, one can hardly do too much in the training of this vital link in the chain of command, without which the best of senior managers cannot get their ideas transmitted to the factory floor. We have also developed courses for managers, mostly men in their late twenties and early thirties, where a man can meet and exchange ideas with his contemporaries from other sides of the business. Courses of this kind run from three to four weeks in length.

The second category is that of more specialised courses, of which the main instructional content is devoted to a particular technique, such as production study, accountancy, advertising, or some technical process, though here, too, we seek to give something of the general background.

It is necessary to add that courses do not suit everyone, nor does everyone need them. Those concerned with a man's training have to decide if and when he will benefit from this form of instruction. Unless the right men are sent on the right courses these are at best a waste of time and at worst can do positive harm.

OPPORTUNITIES TO VISIT OUTSIDE
INSTITUTIONS

For more senior managers the opportunity may arise of going to an outside institution such as the Administrative Staff College at Henley in this country, Nijmegen in Holland, and the advanced courses available at such places as the Harvard School of Business Administration in the United States. We send people to all these places, sometimes to the one in their own country, sometimes abroad. The opportunity should be grasped with both hands, for the effect of meeting

people from completely different fields of business, from the Civil Service, nationalised industries and so on can indeed be stimulating. At present most of those who come to these courses from business over here are drawn from the larger firms. I know that it is more difficult for smaller firms to spare men to attend these courses, but I am sure that it would be to the general benefit if they could do so. The duration of courses of this kind is usually about three months, though in America courses of twelve months are beginning to be developed and there is one of this length in Europe. The longer the course the more difficult the problem of secondment, but for the few exceptional men who would benefit from courses of this length the time could be well spent. Then there are the courses run by Universities, Summer Schools of business and the like, lasting three or four weeks. Where the courses are for more senior people the students, if of the right quality, can to a great extent teach themselves and each other, with a guiding hand from a few experts, but for younger men more positive instruction is necessary. In the United States there are plenty of men in academic life who have had sufficient contact with the industrial world to be able to act as the instructors, but in Europe there is a shortage of people with these qualifications. Industry therefore should make a contribution, not only by ensuring that the quality of those whom it sends as students is high but also by seconding first-class men to assist on the instructional side. I for one would like to see this kind of secondment becoming a two-way traffic. If, as one hopes, the Universities are going to develop the teaching of business administration, I would favour the experiment of seconding the University teacher to industry for a year or two, and so giving him an inside view of how industry works before he returns to the University to teach.

OTHER AIDS TO MENTAL ALERTNESS

In addition to courses there are other aids by which a manager's mind can be kept supple and alert. Conferences play a part here, and by conferences I do not mean get-togethers for merry-making and junketing, but working conferences in which anything from twenty to a hundred senior managers are brought together for an intensive study of questions which are of general interest to them all but are outside their daily run of business. Similarly, when we are faced with a problem—it may be whether we should launch into a new field, it may be office accommodation or the organisation or budget of one of our companies or departments—we often set up a small panel or study group of senior managers to investigate and report. There is nothing new about this technique but the point to note is that in addition to its primary purpose of providing us with a considered view of the particular problem, it gives the members of the panel a useful opportunity to stretch their minds and apply them to something outside their own daily jobs.

THE GREATER THE SCOPE THE BETTER

But when all is said and done, when we have made the fullest use of courses, secondments, conferences, study panels and other extraneous aids of this kind, we come back to my starting-point, that fundamentally the training of the senior manager, as of the junior, is done on the job. And a man cannot develop his full qualities in his job unless those above him give him scope to do so. This means that we must truly practise delegation, not just pay lip-service to the principle. Delegation does not mean just sitting

back with your feet up and leaving a subordinate to do the work; it should be a positive act of trust. It does not, I think, come naturally to most people. We are all inclined to give a man a job to do and then to look over his shoulder to make sure that he is not making a mistake. This is a tendency which must be resisted, as must the inclination to delegate only to those whom we regard as men who will play safe. This is no way to create a forward-looking and progressive body of managers. Management cannot be lively and efficient unless there is true delegation. Conversely, people will be unwilling to delegate unless management is lively and efficient. If these two propositions look like creating a vicious circle anywhere in the business, we must break through it. I do not mean that in a passion of devotion to the principle of delegation we should immediately scrap those controls which we have devised to ensure that the best advantage is taken of the resources of an organisation the size of ours—the controlling machinery of Capital Expenditure budgets and Annual Operating Plans, the technique of which I described in some detail a few years ago. Nor should I like to see our managers interpreting my words as meaning that, from now on, they are to prove their spirit of independence by ignoring the accumulated experience and specialist skills with which our central advisory departments can provide them. By all means let there be continuous and constructive co-operation between the companies and the experts at the centre. But in general the greater the scope which every manager can give to those below him, the better.

This brief discussion on the training of the more mature manager prompts one to ask at what stage a man is to be considered fully trained. In the sense that all of us can and should go on learning right up to the moment we retire, I suppose that the answer to this question is—never. But we must be careful not to carry this spirit of perfectionism so far that, when we begin to approach retiring age, we find ourselves looking upon men in their thirties and early forties as far too young and untrained to hold positions of real responsibility. Such a tendency is, I think, natural in any large organisation where most men go on to a retirement age in the sixties, but it must be resisted. We have to remember that we ourselves may have thought very differently fifteen or twenty years ago.

THE DANGERS OF IN-BREEDING

There are certain obvious advantages in possessing a corps of managers trained up in the business, professionals who at the start of their working life have made industry in general and Unilever in particular their chosen career. Unless our methods of training and development are sadly awry we can put on the credit side loyalty, team-spirit, knowledge of the business and of the people in it. But we must beware of the dangers of in-breeding: the tendency to rest content with things as they are and to play safe, to follow precedent, to play down initiative and originality and to keep one's nose so closely to the Unilever grindstone as to let change and development in the outside world pass by unnoticed. Among the correctives to this kind of attitude are the extraneous aids which I mentioned a moment ago—courses, whether as student or instructor, conferences and study groups. Moreover, the lump is continually being leavened by the yeast of new-comers, though the introduction of new blood at the more senior levels has so far been practically confined to specialists whose particular skill cannot be matched from our existing resources. It may

be that more interchange from one business to another at senior levels would be no bad thing. There are admittedly practical difficulties. Those who feel that they have borne the heat and burden of the day in the lower ranks will feel disheartened if new-comers are brought in over their heads. One must strike the mean and give due weight to this very natural feeling without allowing it to operate as a rigid ban against the introduction of new-comers who may have had valuable experience outside the business. Pension rights, too, are sometimes a difficulty and I for one should be sorry to see pension schemes being used to fetter a man to his present job with chains of gold. It cannot be a good thing for a man to feel that he cannot get out and go to new employment except with a crippling loss of pension rights. It is worth noting that in the United States it has become the accepted pattern for a man to move upwards by switching from one business to another without suffering any stigma of disloyalty or careerism. Indeed, in that country cross-fertilisation between businesses has reached such a pitch as to give rise to a new profession, that of the placement consultant, who acts as a kind of confidential marriage-broker between the man who wants a change and the business in search of a new executive.

DIVERSITY OF BUSINESS AN ADVANTAGE

In Unilever we have one particular advantage, one special safeguard against our management sinking to a level of uniform mediocrity, and that lies in the international character of our business. Our managers are of many different nationalities. Those in charge of our business in the many countries in which we operate have frequent contact with headquarters in London and Rotterdam where, at the higher levels, the British and Dutch are in the majority, as is natural in a business which originated and has its headquarters in the United Kingdom and Holland; but there is room, too, at the Head Offices and elsewhere, for senior managers from practically all the countries of Europe and from the other four Continents as well. This coming together of different nationalities, different backgrounds, characteristics, upbringing and methods of approach helps to keep every one of us out of the rut.

POSTINGS AND PROMOTIONS

The diversity of our business also enables the experience of many managers to be widened by postings to countries other than their own. One need hardly stress how stimulating this can be, particularly for the man who finds himself in the more bizarre parts of the world where logic alone is often not enough to solve the unusual problems which arise. It is unfortunate that traffic of this kind is at the moment far too much one way, from the United Kingdom and Holland outwards. Except for the United Africa Group, who expressly recruit men for an overseas career, we do not of set purpose earmark managers specifically for either the Home or Overseas sides of our business. Managers should be interchangeable between the two. But the present wide discrepancies in taxation and cost of living in the various countries in which we operate constitute a serious clog on the mobility of our managers. The progression of personal taxation is at its most severe in our two home countries for the range of salaries appropriate to senior managers. It makes it practically out of the question, for example, to bring Americans into the business in England or Holland, valuable as such a step would be, and makes it difficult to move men from country to country in Europe as freely as efficiency requires.

Or again, take the case of the man posted from one of the home countries for an assignment overseas. He must be given something more than the strict "rate for the job" to allow for the extra domestic expenses of living in a foreign country and also to give him a standard of living which reflects the prestige of his more isolated position there in the eyes of those who judge by external signs. Against this he may have the benefit of lower personal taxation.

When in due course we want to bring him home on promotion, the difficulty presents itself that to continue his overseas rate of pay would give him a salary which would be much above the salaries of men doing comparable jobs at home. On the other hand, to reduce his standard of living from that to which he has become accustomed overseas is an odd kind of promotion.

In mentioning this extraneous obstacle in the way of bringing men from overseas to posts in the two home countries, I have in mind assignments of a semi-permanent nature which require men to become technically resident in England or Holland. No such handicap prevents our bringing them back for short visits for discussions or to attend training courses, and we are making increasing use of these facilities. In the last four years, for example, about 800 managers have been brought to England and Holland from the rest of Europe and from overseas for individual training and refresher courses. This is a necessary part of our policy of filling all management posts in each country in which we operate more and more with nationals of that country. Our plans assume that this process will continue, though we also think and hope that the overseas countries will still have room for some admixture of talent from home. It should be to the benefit of both sides for such interchange to continue.

PLACEMENT COMMITTEES

I have talked of postings and promotions and I would not have it thought that these are done arbitrarily, at the whim of an individual. We have placement committees composed of experienced executives who, in conjunction with the Personnel specialists, are responsible for watching the progress of promising men and for selecting and recommending the right man for the right vacancy. Government by committee has been a much-criticised institution and it has its weaknesses. But, on balance, we find it the most satisfactory method of ensuring that good men are not lost sight of and are neither over-valued nor under-valued and for making sure that promotion depends on the only genuine test, that of merit. The individual boss can back his fancy and push his man a certain distance; but thereafter he must leave him to prove his worth in the eyes of impartial and experienced men.

A CONTINUOUS PROCESS

I have only been able today to deal with some of the highlights of this formidable and many-sided subject. Perhaps one may conclude by asking by what test can you, the stockholders, decide whether we are succeeding in the task of creating a lively and efficient body of managers. I suppose that in the last resort the quality of the management is reflected by the results of the business which are laid before you in Annual General Meeting. But it is quite certain that even if, as I hope, you may think that the results at this moment indicate a reasonably satisfactory state of affairs, we cannot rest on our oars. As the business expands we shall need more managers and, as I suggested earlier, the

pattern which is unfolding is one in which the proportion of managers in relation to the whole will continue to rise, and this at a time when the competition to secure the services of managers is everywhere increasing. Therefore we can never let up. We must not expect the Universities, schools and technical colleges to prove the answer unaided. We must continually examine our methods of recruitment and selection. We must take every opportunity to bring on and upgrade our own people from the lower levels. We must all of us understand the importance of training. For if we fail to do these things, and to do them in every country where Unilever is to be found, our failure will not be slow to show itself in the results which are laid before you.

After paying tribute to the services of Sir Herbert Davis, who was that day retiring, and Dr Paul Rykens, who had retired since the last Annual General Meeting, the Chairman concluded by moving the adoption of the Report and Accounts for the year 1955. Sir Herbert Davis, Vice-Chairman, seconded the motion and it was carried unanimously.

The proposed final dividend of 9½ per cent on the Ordinary Stock and a dividend of 6 per cent on the Deferred Stock payable on June 7, 1956, were approved.

The retiring Directors were re-appointed with the exception of Sir Herbert Davis, who, having reached retirement age, and Mr J. H. Hansard, who, at his own request, did not seek re-appointment.

The remuneration of the Auditors, Messrs Cooper Brothers & Company and Messrs Price Waterhouse & Company, who had been

re-appointed under the provisions of the Companies Act, 1948, was fixed.

At a subsequent Extraordinary General Meeting a Special Resolution was passed amending the Articles of Association to exempt a Director of the Company who is in the whole-time service of the Company or of Unilever NV from the need to hold a share qualification.

The proceedings terminated with a vote of thanks to the Chairman, Directors, and all employees.

UNILEVER NV

The Annual General Meeting of the Members of Unilever NV was held on May 24th at Museumplein, Rotterdam. In the absence of Mr F. J. Tempel the Chairman of the Company, Mr Sidney J. van den Bergh, Vice-Chairman, presided and made a speech in similar terms to that delivered by Lord Heyworth at the Annual Meeting of Unilever Limited, reported above.

The Report and Accounts for the year 1955 were adopted. The proposed final dividend of 8½ per cent (being the equivalent of the final dividend for the same year to be paid by Unilever Limited to its Ordinary Stockholders calculated in accordance with the provisions of the Equalisation Agreement) was approved, the retiring Directors, except Sir Herbert Davis and Mr J. H. Hansard, were re-appointed, Mr A. C. C. Baxter, Mr A. F. H. Blaauw, Mr F. J. Pedler and Dr E. G. Woodroffe were appointed Directors, and the Auditors, Messrs Price Waterhouse & Company and Messrs Cooper Brothers & Company, were re-appointed.

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.

SUMMARISED CONSOLIDATED ACCOUNTS AT 30th MARCH, 1956.

	£	£	£
Issued Capital	2,043,504	Fixed Assets at cost ...	3,089,964
Capital Reserves	487,825	Less: Accumulated depreciation	1,502,305
Revenue Reserves and Unappropriated Profits	1,637,057		1,587,659
Amounts set aside	680,101	Patents and Goodwill ...	1
Debenture	500,000	Subsidiaries not consolidated	224,444
Outside Shareholders' Interests ...	536	Excess of Current Assets over Current Liabilities	3,536,919
	<u>£5,349,023</u>		<u>£5,349,023</u>
Net Group Profit for the period 1st September, 1955 to 30th March, 1956, after Taxation, Staff Insurance Schemes, &c.			£411,809
Dividends Net by Gestetner Limited:			
Preference			£11,320
Ordinary			92,971
			<u>104,291</u>
Retained in the Group			<u>£307,518</u>

The Directors' Report states that the results of the period covered by these accounts should not be taken as proportionately representative of a full twelve months' trading, but the period saw the continued progress of the business.

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

THE PRUDENTIAL ASSURANCE COMPANY LIMITED

(Incorporated in England)

In the course of his remarks at the Annual General Meeting, Sir Frank Morgan, MC, Chairman of the Company, said:

INVESTMENTS

Since 1939 this country has been faced with the twin problems of inflation and the balance of payments and much has been said and written on the recent manifestations of these problems. I propose only to call attention to one aspect of our national economic situation which has affected this Company in the past year.

In 1955 there was a great upsurge in capital investment by both public and private industry unaccompanied by sufficient personal saving and retrenchment in Government expenditure. The expansion in investment stemmed from Government policy introduced in 1954 with the very desirable and important objective of stimulating the modernisation of British industry. This modernisation, which is essential for the future economic life of our country, has unfortunately, now had to be restricted. Ambition in the field of capital investment has outrun performance in the field of saving.

The dominating influence in the capital market last year has been the substantial increase in the demand for funds to finance this high level of capital expenditure. Whereas in previous years industry was able to finance a considerable part of its re-equipment out of its own liquid resources and by bank credit, during 1955 the pressure to reduce bank advances has obliged business concerns to turn in increasing measure to the open market; the new arrangements for the finance of local authority expenditure have also worked in the same direction. In these circumstances a rise in interest rates was to be expected and this trend has been accentuated by increases in Bank Rate.

The increased activity in the new issue market has enabled us to exercise a wider choice in the selection of new investments than in recent years. For the first time since the war opportunities to invest in first-class industrial securities, mortgages and properties exceeded the amount of our accruing funds and because of this we have made some reduction in our holdings of gilt-edged investments. During 1955 almost two-thirds of our investments made in the industrial field have been in new issues, against approximately one-third in 1954. I would like to make it clear that the substantial support we have accorded to the new issue market is not inconsistent with the Government's monetary policy, which is expressly designed to reduce credit and restrict capital expenditure to the volume of current saving that the country is willing to make. Our net investment represents the current savings of our policyholders and, unlike expenditure financed by bank credit, it cannot be described as inflationary. In the great majority of the investments by which we provide new money the borrowers are required to obtain the approval of the Capital Issues Committee and where official sanction is not required we shall as always pay regard to the national interest.

During 1955, we invested a total sum of £70 million. This amount was derived in part from the accrual of new funds and in part from the proceeds of sales and redemptions. The principal channels into which the

£70 million was directed were £26 million of debenture stocks, £6 million of preference stocks, £18 million of ordinary shares, £7 million of mortgages and £7 million of property investments. At the same time it will be observed that the Balance Sheet figure for securities of, or guaranteed by, the British Government has fallen by £18 million. Part of this reduction is due to sales and redemptions and part to some further writing down of the book values of this group out of the investment reserve accounts.

The higher rates of interest at which we have invested our new money and in particular the increases in dividends on Ordinary shares have resulted in higher yields on our Life funds. The gross rates of interest earned on these funds during 1955 were £5 7s. 3d. per cent in the Ordinary Branch and £5 8s. 6d. per cent in the Industrial Branch, showing increases of 5s. 7d. per cent and 7s. 1d. per cent respectively compared with 1954.

During 1955 there was an appreciable fall in the market values of fixed interest securities and, in ordinary shares, a small rise compounded of a large increase in the first half of the year and a fall thereafter. The net effect of these movements has been a fall in the amount by which the market value of the Company's assets exceeded the value shown in the Balance Sheet, but I am happy to say that there still remained a substantial margin. In any case, as I said last year, the primary concern of a life assurance company is the income from its investments and not the fluctuations in market values.

The total of ordinary dividends declared by companies in which we have an interest increased again by an amount comparable in size with the increase in 1954. We do not expect that there will be a movement of similar magnitude in 1956 and the future will no doubt bring many fluctuations. Nevertheless we believe that a substantial part of the increase of the past two years will prove to be permanent. The benefits of this rise in income from ordinary shares now appear in larger allocations to policyholders and shareholders.

BONUS DECLARATIONS

Shareholders will have seen from the Press and from the Directors' Report that this year, besides declaring higher rates of normal reversionary bonus, we have also declared special bonuses. The rates of reversionary bonus declared for policies issued in the United Kingdom have been increased from 40s. per cent in the Ordinary Branch and 30s. per cent in the Industrial Branch to 42s. and 32s. per cent respectively. As regards the declaration of special bonuses an explanation of the background to this step is necessary.

Normally the Company declares a uniform simple reversionary bonus within each branch and territory. This is a broadly equitable system which is free from complications, which has stood the test of time and which, moreover, we believe will stand the test of time in the future. Its very simplicity, however, may well render it inappropriate to deal with circumstances of such a character as the recent exceptional increase, to which I have just referred, in the dividends on our holdings of ordinary shares in this country. This increase has added substantially to the

current surpluses and has posed the question as to the most equitable method of distribution.

The increases in dividends largely arise from investments made in the past and thus are attributable in greater measure to older than to newer policies. Consequently we felt that it would be inequitable to distribute the whole of the policyholders' share of these increased dividends as additional bonuses in respect of 1955 and future years, since much would go not only to the newer policyholders, but even to future policyholders who are not yet insured with us. In short we felt that the older policyholders had a prior claim on these increased dividends. We therefore decided that a part of last year's surplus should be distributed as a special bonus on claims arising during the remainder of 1956 on policies issued in the United Kingdom, and that this bonus should, with certain limitations, be based on the number of years during which the policy had been in force prior to January 1, 1954. The rates of special bonus for each such year are 6s. per cent in the Ordinary Branch (with a maximum of £9 per cent) and 4s. per cent in the Industrial Branch (with a maximum of £6 per cent).

Whilst giving no guarantee it is our hope that, out of future surpluses, we shall in the years to follow be able to declare similar special bonuses on claims arising from the same range of policies. By this I mean that we contemplate not only that the rates of special bonus will remain unchanged but also that they will continue to apply only to policies effected prior to January 1, 1954.

The special bonuses, in conjunction with the increased reversionary bonuses we have declared, have the virtue, we think, of demonstrating that our policyholders have a real and intimate share in the prosperity of the country's industry. Through life assurance they have an interest in the level of ordinary dividends and, as can be seen from the measures adopted this year, that interest is a valuable one.

May I put what I have just said in a more graphic form? Due to the magnitude of our investments and the policy of the Company strictly to limit its holding to a modest percentage of the equity of any industrial concern, we are interested as investors in the great majority of companies of standing in this country whose shares are quoted on the London Stock Exchange. If, as we believe, approximately every third person in this country is a Prudential policyholder, then through the Prudential alone a third of the population has a financial interest in the prosperity of the nation's industry.

DIVIDENDS

The increased distributable surpluses in the Life Branches have again enabled the Directors both to improve the proportion of these surpluses allocated to the policyholders and to increase the amount allocated to the shareholders. In each of the Life Branches the policyholders' allocation, which for 1954 was approximately 91.9 per cent of the distributable surplus, is now 92.3 per cent.

The net dividend declared on the A shares is 25s. per share, an increase of 1s. 6d., and £156,250 has been transferred to the Dividend Reserve Fund. The net dividend

declared on the B shares is increased from 3s. to 3s. 6d. per share.

The sum set aside for the dividend on the B shares, together with the corresponding provision from the General Branch for dividend to A shareholders, is again more than covered by the interest earnings of our General Branch funds after deduction of the relevant taxes.

ORDINARY BRANCH

In the Ordinary Branch, the total new sums assured under individual and group life assurance policies issued at home and overseas during 1955 amounted to £154 million.

The premium income for the year, including £9,500,000 in respect of deferred annuities, amounted to £47,800,000 and showed an increase of £3,300,000 over the preceding year. The total sums assured and bonuses in force at the end of the year were £1,100 million.

Out of the surplus for the year a sum of over £9,400,000 has been allocated to policyholders. For with-profit policies issued in the United Kingdom (other than group pension policies) the Directors have declared the reversionary and special bonuses to which I have already referred. The rates of bonus in respect of with-profit group pension policies have hitherto been at the same rates in the United Kingdom and overseas. The time has now come for these to be differentiated, the principal reason being that the differing bases of taxation give rise to a different incidence of emergence of surplus. In our Southern and East African territories the compound reversionary bonus on with-profit deferred pensions is increased and in the United Kingdom there is an increase in the special final bonus pension added when these pensions are entered upon.

The Chancellor's proposal to implement some of the recommendations of the Millard Tucker Committee is of great interest to all engaged in annuity and pension business. The method of taxing purchased life annuities has for long been regarded as an injustice and its revision will be welcome to many who are living on fixed incomes. We shall play our part to the full in encouraging additional saving by the self-employed and other classes who are to be given an incentive to provide pensions for themselves.

OVERSEAS LIFE BUSINESS

A record volume of new business has again been written by our overseas branches, the new sums assured, including £5 million under group assurances, amounting last year to over £59 million. This constituted nearly 40 per cent of the total new sums assured in the Ordinary Branch.

Our overseas business as a whole continues to make excellent progress and its financial position is most satisfactory.

In both the Australasian and Canadian branches a record amount of new business was again written in 1955. In Australia the new sums assured amounted to over £15,500,000 and in New Zealand to nearly £3 million, whilst our Canadian branch again wrote the largest amount of any of our overseas branches, their figures exceeding £21 million.

Our branch for the Southern and East African territories continued to do well and wrote nearly £12,500,000 new sums assured.

Shareholders will, no doubt, have seen references in the Press to the action taken by the Government of India towards the nationalisation of life assurance business. There have undoubtedly been malpractices in Indian life assurance, including several

cases where funds have been misapplied. So far as British and Canadian Offices working in India are concerned, no complaint has been or could be levelled against them and they have continued to set an example of probity and efficiency. We believe that it is with regret that the Government of India feels compelled to include them in the nationalisation measures.

I do not propose further to discuss the decision, but it is naturally a disappointment to us that our life assurance activities in India must terminate after our Indian Management have built up such an efficient organisation. We are very sorry to lose our Indian staff and we thank them for all they have done for the Prudential. Our Actuary, Mr Redington, in his capacity as Deputy Chairman, now Chairman, of the Life Offices' Association, has led a delegation representing British and Canadian offices which has visited India to discuss problems arising in connection with nationalisation.

We have been transacting life business in India for over 30 years and have accumulated a fund which, although substantial, is nevertheless less than two per cent of our Ordinary Branch fund. The Indian sums assured and bonuses in force at the end of last year exceeded £18 million, including £2,500,000 assured under sterling policies which have been issued mainly on non-Indian lives. Following representations we have reason for believing that sterling and other non-rupee policies, except those held by citizens of India, will be excluded from nationalisation.

INDUSTRIAL BRANCH

In the Industrial Branch the new sums assured last year were over £86 million, compared with £80 million in 1954. The average sum assured per policy issued continues to increase and is now £64.

The total sums assured and bonuses in force at the end of the year were £1,062 million and the premium income for the year was £47,500,000.

Our field staff have again succeeded in reducing the rates of premature discontinuance of policies. Less than 11 per cent of new Industrial Branch policies now lapse within one year of issue. Of the policies on which premiums have been paid for a year or longer less than 24 per cent were discontinued last year, and for all of these either a free policy or a cash surrender value was allowed.

From the surplus of the year a sum of over £10,400,000 has been allocated to policyholders. Bonus additions paid last year on claims by death and maturity averaged over 19 per cent of the original sum assured.

GENERAL BRANCH

The General Branch premium income for 1955 exceeded £12,300,000, showing an increase of about £250,000. In addition premiums of over £1,850,000 were written by our American subsidiary. Of the total premium income approximately half was derived from overseas sources.

The gross underwriting profit for 1955 was less favourable than that of the previous year, which was a record for the Company, although our motor vehicle account is the only one which shows a loss. For some years we have been concerned with the increasing cost of road accidents in this country and in many of the overseas territories where we operate. Last December, in common with other companies, we revised our home motor rates and improved the no claim discounts for private cars. In certain overseas territories an improvement in our results has followed rate revisions in recent years. The

sickness and accident account was favourable, showing a further improvement over the good results of the previous year. The fire and miscellaneous accounts again show a reasonable margin of profit, whilst our experience in marine, aviation and transit business continues to be satisfactory.

The gross interest earnings show a further substantial increase, and the net surplus, after provision for taxes and excluding the amount brought forward, amounted to £517,000. Of this surplus the Directors have transferred £300,000 to the General Branch Contingency fund.

The figures of our American subsidiary, The Prudential Insurance Company of Great Britain, are annexed to the accounts before you. You will perhaps recall that last year I mentioned that we had arranged to expand the operations of that Company by transacting casualty as well as fire reinsurance business, and that in consequence we had increased its capital resources. The volume of casualty business has so far not been large, but a start has been made. The year's results have again been satisfactory and a dividend of 7½ per cent has been declared on the increased capital of \$1,500,000.

STAFF

The results of which I have spoken, and the impressive figures contained in our Balance Sheet, summarise the achievements of our organisation, over many years, in its service to millions of policyholders. At home and overseas we cover a wide field of need in family life and in commercial and industrial enterprises. No factor is of greater importance to our success than the friendly advice and efficient service which our staffs afford to the communities they serve.

You will agree, in the light of my review of the achievements of 1955, that the Prudential continues to make substantial progress. Its good name and the quality of its service are in the capable hands of men and women engaged in many different tasks and in many different lands, and I am glad to take this opportunity of paying a sincere tribute to their industry and to their loyalty.

LIFE ASSURANCE AND SAVING

I have already commented on the fact that the country's capital investment, on which our economic progress so largely depends, has had to be restricted through lack of sufficient savings. This state of affairs, followed by Government proposals for new incentives to thrift, emphasises the fact that an increase in savings is fundamental to the curbing of inflation and the promotion of national prosperity. Our staff can be proud to feel that they are contributing to these ends by encouraging and facilitating an increasing amount of regular saving through life assurance. Year by year vast numbers of individual premium payments, which in many cases might otherwise be diverted to current expenditure, are aggregated to provide impressively large amounts for investment. The total net saving effected by means of Prudential life policies can be broadly measured by the increase in the funds of the Life Branches. Last year, for our United Kingdom business alone, this exceeded £37 million.

In this way the Prudential, and indeed life assurance as a whole, are making substantial contributions to individual and national well-being and those contributions are increasing as life assurance itself increases. To remind ourselves of this is to find considerable satisfaction in what has already been achieved and fresh encouragement for the years to come.

THE BURMAH OIL COMPANY LIMITED

YEAR OF CONTINUING EXPANSION

INCREASING DEMAND FOR PETROLEUM PRODUCTS

SIR KENNETH B. HARPER REVIEWS EXPLORATION ACTIVITIES

The fifty-fourth Annual General Meeting of The Burmah Oil Company, Limited, will be held on Thursday, June 14, 1956, in the Merchants' Hall, 30, George Square, Glasgow.

The following statement by the Chairman, Sir Kenneth B. Harper, has been circulated with the Directors' report and accounts for the year ended December 31, 1955:

THE BOARD OF DIRECTORS

Mr W. E. V. Abraham retired from the Board on November 30, 1955. His services will continue to be available to the Board in a consulting capacity.

Mr R. P. Smith has been appointed Assistant Managing Director as from April 1, 1956.

ACCOUNTS

The year 1955 was one of continuing expansion in world trade in petroleum products. Trade in Burma, India and Pakistan reflected this world trend and our operations resulted in a Group profit of £6,018,174, being an increase of £886,963 over the corresponding profit for 1954. As is our usual custom the figure of profit has been struck after charging the cost of exploration programmes and in addition there has been charged this year losses resulting from the revaluation of the Pakistan rupee in July, 1955.

£1,636,294 has been set aside for depreciation compared with £1,276,163 in 1954. The increased provision in 1955 is mainly in respect of the new seaboard installation which was completed recently in East Pakistan.

Dividends and interest received in 1955 amount to £9,250,909. The substantial increase of £5,022,904 over receipts in 1954 under this heading is due mainly to larger dividends received from The British Petroleum Company, Limited, and from our Trade Investments.

Full provision has been made for United Kingdom and Overseas taxation based on the profits for the year.

With the balance of £610,888 brought forward from 1954, the total amount available for distribution becomes £6,463,446. From this amount the Directors have allocated £1,500,000 to General Reserve and £2,961,936 for a final dividend of 12½ per cent which they recommend should be paid on the Ordinary Stock. After making the foregoing appropriation to General Reserve and deducting the net dividends paid and payable on the Preference and Ordinary Stocks, the balance of unappropriated profit carried forward is £640,486.

In the Parent Company's Balance Sheet the increase in Advances to Subsidiary Companies reflects the expansion of the activities and financial requirements of those Companies.

Trade Investments also increased during 1955 as a result of our half share of the

additional capital provided for Burmah-Shell Refineries, Limited.

The increases in Shares in Subsidiary Companies and in Quoted Investments are mainly the result of the revaluations in 1955 of our investments in Ordinary Shares of The BOC British Petroleum Share Trust Limited and in Ordinary Stock of The British Petroleum Company, Limited. The aggregate increment arising from these revaluations was transferred to Capital Reserve as is shown in Note No. 2 on the Accounts.

In accordance with the Resolution passed at an Extraordinary General Meeting held in July, 1955, the Company's Authorised Capital was increased from £25 million to £50 million and the Issued Ordinary Share Capital was at the same time increased by the issue of 20,604,770 Ordinary Shares to holders of Ordinary Stock.

PROSPECTING AND OILFIELD DEVELOPMENT OPERATIONS

Burma.—The geophysical survey of the Irrawaddy Delta to which I referred last year has been started. The Government are providing protection against any insurgent activities in this area.

In Upper Burma it is proposed to drill a test well at Ondwe, an area thirty miles south of Yenangyaung, where a suitable structure is known to exist.

Both these operations will be undertaken by The Burmah Oil Company (1954) Limited in which we hold a 55 per cent interest.

During the year production at Chauk was increased to meet the needs of the refinery there and additional wells were completed in readiness to produce the supplies of crude oil which will be required for the new refinery at Syriam, near Rangoon, towards the end of this year.

India.—Drilling results at Nahorkatiya have confirmed previous expectations that the structure is geologically complicated but I am pleased to say that on the whole they have been successful. Potential production in the area so far proved is judged to be sufficient to maintain a refinery throughput of one million tons a year for at least twenty years. Discussions are being held with the Government of India, regarding the formation of a rupee company with Indian participation to take over and develop the oilfield at Nahorkatiya and certain other concessions in Assam. Additional refining capacity will be required. The location of this and the transportation of the crude oil are subjects which are also under discussion with the Government of India.

Pakistan.—Pakistan Petroleum Limited, in which your company has a 70 per cent interest, is continuing its vigorous exploration in both West and East Pakistan. The test well in the Uch area in West Pakistan, to which I referred last year, was completed without finding oil, but it has established a useful additional reserve of gas. The proved reserves of Sui and Uch together amount to

the equivalent in calorific value of more than 120 million tons of fuel oil.

The laying of the Sui Gas Transmission Company's main line to Karachi was completed during the year, and deliveries to consumers began in September, 1955. Consumption at the end of the year was at the level of 15 million cubic feet a day, and this is expected to increase to 40 million cubic feet by the end of the current year.

Meanwhile, the Pakistan Government, through the medium of the Pakistan Industrial Development Corporation, have entrusted the Sui Gas Transmission Company with the construction of a further 16-inch pipeline from Sui northwards to Multan, a distance of approximately 200 miles. Preparations for this project are well under way. It is intended thereafter to extend the line to Lahore, a further 200 miles. We have no financial interest in the ownership of the line, but we welcome this prospect of additional offtake of Pakistan Petroleum Limited's gas.

At the Annual General Meeting, in June last, I informed you that Pakistan Petroleum Limited's No. 1 test well at Sylhet had encountered gas at 7,800 feet and had been destroyed by fire. Preparations for drilling a second well are nearly completed, and drilling is expected to start in a few weeks' time.

REFINERIES

I have already referred to the new refinery at Syriam, near Rangoon. Construction has been unfortunately retarded in consequence of the import licensing procedure introduced by the Burma Government to conserve foreign exchange. The refinery is expected to start up before the end of this year.

Digboi refinery has continued to operate satisfactorily, but the limitations of rail transport for the products resulted in the refinery's output for the year being 16 per cent below its full capacity.

The Burmah-Shell refinery, near Bombay, in which we have a 50 per cent financial interest and which has a capacity of two million tons per annum, came into full-scale operation in the third quarter of the year. The refinery is now producing 45 per cent of India's total requirements of petroleum, and has been designed with a view to considerable expansion as and when required.

The recent Indian Budget imposes Excess Duties on diesel and furnace oils produced in the Bombay and Digboi refineries at the same rates as the respective existing Import Duties.

TRADING

Our trade in all areas through our Subsidiary Companies and through Burmah-Shell amounted to over 1½ million tons of petroleum products; an increase of 12 per cent over the previous year.

Of the total supplies to meet our trade, 28 per cent came from our indigenous production, the balance being imported. (Here and elsewhere in this statement where I refer to "our" production or "our" trade I mean the operations of the Subsidiary Companies, in which your Company holds over 50 per cent of the equity, including the trade they do through Burmah-Shell.)

The ratio of indigenous to imported oil in the different areas varied, according to the location of the producing areas relative to the market, from 97 per cent indigenous in Assam to 10 per cent in the rest of India and nil in East Pakistan. The proportion should increase considerably in India when the products from Nahorkatiya crude oil reach the market. In Burma the indigenous figure last year was 48 per cent. The immediate target of The Burma Oil Company (1954) Limited is to make Burma self-supporting once again in major petroleum products, and it is with this objective that the refinery is being built at Syriam.

Security conditions in Burma continued to improve, and our trade with it. Burma's internal troubles began in 1948, and it was not until 1953 that the demand for petroleum products again reached and passed the 1948 figure. 1954 was a better year than 1953, and 1955 better than 1954, the latter percentage increase being 12 per cent. We expect the current year to show continued expansion.

In India there was a general expansion in the demand for petroleum products in 1955. Kerosine still shows the highest sales gallonage though motor spirit and automotive diesel oil together are a close second. In the years 1952-54 our sales of motor spirit in India stood still, instead of advancing steadily as in most of the rest of the world, but in 1955 there was an improvement of 5 per cent. Automotive diesel oil sales also increased substantially.

While it is satisfactory that motor spirit sales have begun to advance again, heavy taxation both of the vehicle and its fuel and restrictions on the use of vehicles are having a restraining effect on the development of road transport. The President of the Indian Roads and Transport Development Association has recently pointed out that one effect has been that the annual increase in the number of motor vehicles in India dropped from 12½ per cent in the period from 1936-51 to 3½ per cent in the period 1952-54. There was a slight improvement in 1955 which I hope will continue. It will certainly be needed if transport is to keep in step with India's second five-year plan.

While there was an overall increase in our trade in Pakistan, the offtake of individual products varied considerably. It was good in furnace oil, there was a reduction in motor spirit, an increase in automotive diesel oil and an increase in kerosine in West Pakistan offset by a reduction in East Pakistan. The decreases were a consequence of the difficulty of obtaining foreign exchange, affecting the operational side of our business in such ways as a shortage of tinplate. We cannot look for more than a modest expansion of trade in the current year unless the foreign exchange position improves and import licences for both products and tinplate are more readily granted.

PRIVATE ENTERPRISE IN INDIA

I referred last year to the difficulty we were experiencing in determining the precise place that is to be left for private enterprise in India's "socialist pattern of society," and in particular what room there will be for foreign capital and expertise in the Petroleum Industry.

A few days ago the Indian Prime Minister made a statement on his Government's revised Industrial Policy. The place for private enterprise in future will be "as an agency for planned national development in the context of the country's expanding economy." "Mineral Oils" are included in the category of industries of which all "new units" "will be set up only by the State," "save where their establishment in the private sector has already been approved."

At first sight, so far as "Mineral Oils" are concerned, this statement of revised policy does not differ appreciably from the policy announced in 1948. Both draw a distinction between "new units" and "existing undertakings" and we are at present engaged in conversations to clarify the future scope for our operations in India.

In the meantime Stockholders may have read in the press that on the advice of a team of Russian experts, after a three months' general mineral survey of India, the Government have decided to enter the field of oil exploration with a programme to spend about £20 million over the next few years.

TANKERS

The fleet continued to give excellent service and was fortunately again free from accident. The year was noteworthy for the resumption of shipments by us from Abadan where the first of our vessels called in February, and the commencement in the same month of Indian coastal shipments from the Burmah-Shell refinery at Bombay. We have since been loading regularly at both ports and, by reason of their size and draft, our white oil vessels continue to prove particularly suitable for the Indian coastal trade.

With increasingly quick turn-round at loading and discharging points time ashore has been correspondingly restricted. Our Mail Advice Service, whereby next of kin are kept advised of the movement of our ships, is proving its value in enabling officers to obtain letters from home more quickly and is greatly appreciated by all concerned.

The Government of India have announced that it is their policy gradually to reserve the coastal tanker trade for the Indian Flag and that their immediate target is three ships. They have made a beginning recently by assisting an Indian Company to acquire one of them.

LABOUR

I am glad to report that the year brought no major strikes or interruptions in the field of labour although both Burma and India continued to experience prolonged litigation in the Industrial Courts. I am afraid that the too frequent use of these Courts is for the time being an obstacle in the way of serious negotiation between employer and employee, thus hindering the growth of responsible trades unionism. It must be recognised, however, that the system of reference to adjudication can, and does, prevent strikes because in India, Pakistan and Burma a strike is illegal as soon as a dispute has been referred to official conciliation or adjudication.

STAFF

We are fortunate in the Management and Staffs we have, both at home and overseas, to conduct our business and deal with the new problems which are constantly arising and it is very pleasing to be able to record once again the Board's appreciation of their services.

THE LONDON ASSURANCE

SUBSTANTIALLY INCREASED PREMIUM INCOME

The Annual General Court of The London Assurance will be held on June 13th in London. The following is an extract from the circulated statement of the Governor, Mr R. Olaf Hambro:

The Corporation acquired last summer the entire capital stock of the Guarantee Insurance Company of Los Angeles. We had realised for some time that it was necessary for us to transact casualty insurance in the United States if we were to retain the goodwill of our agents and policyholders in that country. The purchase gives us a valuable entry into this very competitive field.

There was a substantial increase during 1955 in our premium income, the total for the Fire, Accident and Marine Departments amounting to £17,540,757, as compared with £16,527,122 in 1954.

Despite the increase in premium income the year has been slightly less profitable than 1954, which in turn was less profitable than 1953. The Fire Department has suffered again from heavy windstorm losses in North America, and the Accident Department from the higher number and cost of motor claims in many territories.

Life Account: A Quinquennial Valuation of the Life Fund was made as at December 31, 1955. I am pleased to report that a surplus of £1,382,417 was realised and that this has enabled the Directors to declare a very satisfactory bonus to policyholders. The new compound reversionary bonus at the rate of £2 5s. per cent per annum represents an increase of 50 per cent on the rate declared for the previous five years.

PROFIT AND LOSS ACCOUNT

The transfers from the four Underwriting Accounts amount to £834,459, as compared with £1,005,507 in 1954. The other main source of revenue is the income from the investments of the General Fund, which after deduction of Income Tax amounts to £573,150 and represents a satisfactory increase on the figure of £510,724 for the previous year.

The net profit for the Group comes to £628,258, as compared with £721,748 in 1954. The Directors have already declared an interim dividend on the Ordinary Capital of 1s. per share. The dividend of 1s. 3d. per share which they now recommend will make a total of 2s. 3d. per share, the amount forecast at the time of the "rights" issue in June last year. After providing for the dividends and transferring £96,213 to General Reserve, the balance carried to the Consolidated Balance Sheet amounts to £2,964,008, an increase of £82,050 on the balance brought forward from 1954.

Balance Sheet: The Balance Sheets of the General Fund of the Corporation and of the Life Department both record substantial increases over the year, and the combined assets of the Group amount to the very substantial total of £55,945,795, a gain of no less than £4,413,699 during the year.

In both the General and the Life Funds the investments as a whole show a substantial margin between the market values and the book values, in spite of the considerable fall in the prices of fixed interest securities during 1955. As a result of the general rise in interest rates we have been able to invest our available money on attractive terms.

CADBURY BROTHERS LIMITED

GROUP SALES INCREASE TO £76.3 MILLION

HEAVY WRITING-DOWN BILL ON COCOA STOCKS

MR L. J. CADBURY ON COMPETITIVE CONDITIONS

The fifty-seventh annual general meeting of Cadbury Brothers Limited will be held on June 11, 1956, at Bournville, Birmingham.

The following is an extract from the statement by the Chairman, Mr L. J. Cadbury, which has been circulated with the Report and Accounts: It is well known that the price of Cocoa has declined rapidly over the last two years and this was particularly the case in 1955. We therefore had to face a heavy writing-down bill when we took stock at December 31st last. This was not only the case with our Company in this country, but with our overseas subsidiaries as well.

During 1955 Cocoa prices fell from £400 to £250 a ton. Since the beginning of 1956 they have dropped still further; this has been due mainly to a falling-off in demand due to excessive prices in previous years, and also to a better crop year. The previous summer the all-time record of £560 a ton had been reached.

The falling-off of demand was specially noticeable in America. This occurred although candy consumption there remained steady. Contributory causes were the use of substitute fats in place of Cocoa Butter in Covering Chocolate and less Chocolate being used in Chocolate confectionery. There has consequently been a reduction in the demand for Beans as well as a tendency to depress the price of Cocoa Butter rather than that of Cocoa Powder, the other joint product of the bean. It is also one of the reasons why we have been able to reduce the price of our Chocolate lines earlier this year but not that of Powder.

The reduction in demand has meant that the world consumption of Cocoa Beans has fallen from 800,000 tons in 1953 to 725,000 tons in 1954, and probably not much over 700,000 tons in 1955. There has been a corresponding improvement in the stock position.

TRADING RESULTS

In the consolidated Profit and Loss accounts for the year, the heavy cost of writing down our Cocoa stock already referred to is one of the items that has increased the figure for "Ingredients, Wages, Materials and Expenses." The final result is a net profit of £1,031,000 or, taking the losses sustained by the Subsidiaries through writing down stocks into account, £925,000 compared with £3,500,000 last year. This still allows us to maintain the same dividend as in previous years, and to add to our reserves.

SALES

Cadbury sales on the Home Market amounted to just under £45 million, a 6.3 per cent increase in value on last year, and one in tonnage of 3 per cent. These sales earned a satisfactory rate of profit.

Our Export sales were less in value than the previous year, but brought the Cadbury total up to £47½ million. Taking the sales of our group of Companies, including the fellow-subsidiaries of our parent the British Cocoa & Chocolate Company, sales were

£76.3 million compared with £72½ million last year.

FULL FORCE OF COMPETITION

For fifteen years our industry has been subject to overall controls or to allocation in one section or another. Now, however, the full force of competition is once more playing its part.

The turning point came last year. In January and February Cadbury's Dairy Milk Blocks, Filled Blocks and Slides were freed to retail customers, and afterwards to wholesalers. Quotas were removed a month or two later from the Milk Recipe lines with the exception of Brazil Block. By the end of the year, of our few lines not on free sale, Milk Tray and Roses Assortment were the only ones of any importance.

OVERSEAS ACTIVITIES

As already mentioned, exports from Bournville were down by nearly 20 per cent. This figure does not take into consideration the Chocolate made under licence for us in Germany. It takes the place of what formerly were exports from this country.

In all our export markets competition has been intensive during the past year. The "B" houses in this country have been very active in marketing their products abroad and we have had strong competition from Holland.

Sales to the USA showed a fall last year although our goods are well displayed in selected areas, particularly in the Eastern states and on the Pacific coast.

Notwithstanding representations on the spot, we were cut out of the Jamaican market for Proprietary Cocoa in September to assist a local firm.

Egypt has opened up in a small way after several years of no imports.

CONSIDERABLE FACTORY ECONOMIES ACHIEVED

Main building developments in this country have been at the new factory in the Wirral Peninsula, Moreton. The whole of our Chocolate Biscuit production has been moved there as well as some of our Chocolate manufacture. With ample space to lay out buildings and plant in the most efficient manner for their special purpose we are achieving considerable factory economies.

During the year we have made progress in bulk handling of some of our raw materials and semi-manufactured products. Also in the delivering of Chocolate coatings to the trade.

We have kept in close touch with the development of electronics for office use and have installed two Wage Calculators. The results so far are very satisfactory and multiplying speed is ten times that of the machines replaced. The full description of these machines is "Cadbury's Hollerith Office Calculators" or, in accordance with the practice of coining names from initials, "CHOC 1" and "CHOC 2."

The return of competition to the industry has already been mentioned and with it the

end of the sellers' market of recent years. Despite this period of comparatively easy sales we have since the war made every effort to see that our Research and Experimental activities have not been allowed to suffer.

Overseas our biggest building extension has been in our Canadian factory.

DEVELOPMENT PROGRAMME REVISED

We naturally have to plan our future developments and extension well ahead and last year had a substantial programme that was spread over the next four years. Normal procedure is to pay for the new buildings and plant out of retained profits and depreciation. In the light of last year's results we have now revised our programme and postponed some of our projects. This also agrees with Government policy.

As far as possible the items we have postponed should not affect our progress towards more efficient production, but will deprive us of amenities to which we had been looking forward. Our Subsidiary companies look to the parent Company to provide them with the bulk of their finance; we have therefore revised their commitments in line with the policy we have adopted at home.

RAW MATERIALS

Turning to raw materials, Sugar rose from 61s. a cwt at the beginning of 1955 to 62s. 6d at the end of the year.

In handling our Milk, 1955 was the first complete year since before the war that our dealings have been entirely with the Milk Marketing Board. Our intake of Milk in the UK, at 24½ million gallons, was about ½ million gallons short of 1954, mainly due to the effects of a warm dry season. The deficiency was made good by increasing production at our milk chocolate factory at Rathmore in Eire. At the end of the Milk Contracting year, September, the Milk Marketing Board made a request for an increase in price. This was opposed by the manufacturers and went to arbitration. As a result the price rose by 2d. to 1s. 10d. a gallon.

The crops of Hazel nuts and Almonds were very poor last season and under the Government-controlled selling arrangements in Turkey and Spain prices rose very sharply; in the case of Almonds they have more than doubled to over £900 a ton. While we have cut our use of nuts a little in some of our Confectionery recipes, we have preferred to put up the prices rather than alter the proportion in our Milk recipe lines.

SEARCH FOR FURTHER COCOA SUPPLIES

To return again to cocoa. British West Africa remains of course by far our most important source of supply. We have, however, continued in our efforts to promote production in other parts of the world.

Planting in Malaya's first cocoa estate has been carried on well by Malayan Cocoa Ltd. a company we run jointly with Harrisons & Crosfield Limited and Colonial Development Corporation. Experience from this estate

to be used by the Government in developing pilot schemes for smallholders.

In conjunction with the same partners and with Van Houten and Zoon NV another company, United Cocoa Developments Co. Ltd., has been started, also in Malaya, in the Trengganu State. An effort has been made to interest the industry generally in this venture and a number of Cocoa and Chocolate companies in this country and on the Continent have taken up shares.

In our search for further Cocoa supplies we have paid a number of visits to the British Cameroons. About 4,000 tons per annum is being grown there but the soil and climate could support a much bigger production.

With the intention of showing what can be done to grow more Cocoa we have started a plantation at Ikiliwindi about 15 miles north of Kumba. Work has begun to clear the site, to build roads and accommodation for labourers, and to plant nurseries. We hope this venture will become a model Cocoa plantation leading to an expansion of Cocoa production. We are supplying all the capital.

In the Gold Coast and Nigeria our agencies continued to buy from the farmers on behalf of the Government marketing companies. Both operated at a small loss last year, but we still believe they fill a useful place in the economies of these two countries where so much is in a state of flux. We estimate that the West African crop for the season 1955-56 will be about 320,000 tons, which is 30,000 tons up on last year. The cutting out campaign against Swollen Shoot goes steadily on and has the situation under control though this disease, Black Pod and Capsid continue to take a heavy toll of the crop. In Nigeria spraying against Black Pod has been very successful.

YORKSHIRE INSURANCE CO., LIMITED

FURTHER EXPANSION

The annual general meeting of this company was held on May 23rd at York.

The Right Honourable Lord Middleton, chairman, in the course of his speech, said: Our Life Department has had another record year, 9,095 new policies having been issued for sums assured totalling over £22½ million. The Life Fund now stands at over £36 million.

The premium income in the Fire Department for the year amounted to £4,524,080. The loss ratio was 44.01 per cent, compared with 46.42 per cent in 1954. We are able to transfer £426,450 to the Profit and Loss Account, compared with £383,488 last year.

The premium income in the Accident and General Account rose by £600,000 to £8,500,000. The ratio of claims paid and outstanding was 60.34 per cent and after adding £248,000 to the provision for unexpired risks, the deficit of £48,711 has been met by a transfer from Profit and Loss account. This disappointing result is caused by heavy losses on Motor business at home and overseas. The Marine premium income for 1955 was £2,038,573, compared with £1,848,787 in 1954. Claims paid on account of the current and previous years totalled £1,570,034, against £1,435,957 in 1954.

There is £781,000 for appropriation. We have allotted £100,000 to the Staff Pension Fund and £100,000 to the Investment Reserve. The recommended dividend is at the gross rate of 19s. 6d. per £1 of paid-up capital to which it was raised last year.

The report and accounts were adopted.

BANK OF BRITISH WEST AFRICA

SATISFACTORY INCREASE IN PROFIT

The sixty-second annual general meeting of the Bank of British West Africa Limited will be held on June 14th in London.

The following are extracts from the circulated statement of the chairman, The Right Honourable Lord Harlech, KG, GCMG, for the year ended March 31, 1956:

During the year new branches have been opened at Bolgatanga, Kejetia (Kumasi), Tepa, and Wa in the Gold Coast, at Yendi in Togoland, at Kontagora, Owo, Port Harcourt Town, Umuahia, and Jos Market in Nigeria, and at Bonthe and Segbwema in Sierra Leone. A constant watch is maintained for developing areas into which our services can be extended, and the strengthening of our branch network has been very fully justified.

Again it gives me great pleasure to express thanks to our staff both at home and overseas for the service they have rendered in the interests of the Bank. I have met many of them and know for myself of their loyalty and keenness. From the numbers anxious to join us it is clear that our emoluments and conditions are very attractive, but rightly so, for we must secure men of character and integrity who by work and study will in due time be fit to fill the highest appointments. We are concerned to encourage both our Europeans and Africans to be ready to seize the opportunities which our service offers. We have study courses for the former, while for the latter we have now introduced a scheme for scholarships tenable in the United Kingdom. The quality of the bank's work lies with the staff and I believe we can be justly proud of the men and women in our employ.

THE YEAR'S RESULTS

The Balance Sheet and Profit and Loss Account are before you. While the Balance Sheet shows some contraction in total, the Profit figures record a satisfactory increase due in part to a higher average level of lending and in part to the higher return upon our liquid funds maintained in London.

The Capital and the Reserve Fund now record the increases arising out of the plan unanimously approved by the Extraordinary General Meeting held in the early part of last year. In view of the increase of £500,000 then made in the Reserve Fund the surplus in the past year's earnings has been carried into the Inner Reserves.

Current, Deposit and other Accounts are £10,796,922 lower at £68,026,583. The reason for this change is that although deposits abroad have risen those in London have fallen substantially, an experience arising out of the changed monetary conditions here and in which we are not alone. The contraction does not represent a decline in the basis of our business, for the number of our customers shows a very satisfactory increase.

This year the provision for the dividend requires a larger sum owing to the higher amount of Capital.

Liabilities on Acceptances, Confirmed Credits and other Engagements on behalf of customers at £13,164,490 show an increase of £2,869,767.

CASH AND INVESTMENTS

On the opposite side of the Balance Sheet, Cash at £7,221,868 is lower by some £3,082,990. Money at Call and Short Notice

at £12,350,000 shows a decrease of £10,150,000 and Bills of Exchange, principally Treasury Bills, at £19,253,987 show a moderate decline of £3,014,386. As I have explained in previous statements, our liquid position is necessarily high owing to the fluctuations in the demands which are made upon us.

Investments have increased by £2,142,029 to the total of £16,979,199. These are included in our figures at or under market value. All are of relatively early maturity and we are in the happy position of being able to provide out of Inner Reserves for the diminution in market values which has taken place in the past few months.

Loans, Advances and other Accounts at £16,486,401 are higher by £5,057,659. While there are several trends in this movement, it does contain an appreciable increase in borrowing by African customers who are more and more appreciating the value of conducting an account with us, so enabling them to expand the volume of their trade.

Premises stand in the Balance Sheet at £371,074, an increase of £110,722 compared with a year ago. We have many fine offices the value of which we steadily write down, but our programme for rebuilding and the erection of new branches involves a heavy outlay which we must accept as a continuing subject of expenditure.

DIVIDEND AGAIN 10%

Once again the Directors have pleasure in recommending a Final Dividend at the rate of seven per cent, which, together with the Interim Dividend of three per cent paid in November last, makes a total of ten per cent for the year. On the increased Capital this dividend costs more than double that of a year ago, but we are fully satisfied that the greater distribution is justified in view of the higher profit earned and the broadening of the Capital structure which has been effected.

In each of the West African territories in which we are principally concerned urgent endeavours are being made to attract overseas capital for industrial purposes. We have been consulted in this connection at Government level as well as by those potentially interested in particular projects, and the benefit of our experience and specialised knowledge has been made freely available. Venture capital is a scarce commodity, and the Governments are wise to recognise there is extensive international competition to secure it in which only those offering fair treatment will succeed.

AFRICANS AND THE BANKING HABIT

It is unfortunate that there is so little local capital available, but we are making great efforts to promote the banking habit amongst Africans. As funds may begin to accumulate in private hands, it is likely that some part of them may be devoted to the capitalisation of local enterprises. Such a movement will promote a healthier economy and will relieve official resources from the burden they at present carry of providing funds, where outside resources cannot be attracted, for almost all new ventures needing more than a quite small amount of fixed capital.

There have been further generous grants from the Colonial Development and Welfare Funds. Vast sums will yet be required to provide public services adequate by modern standards.

OTTOMAN BANK

SATISFACTORY LIQUID POSITION

TURKEY'S AMBITIOUS MODERNISATION PROGRAMME

LORD LATYMER'S REVIEW

The Eighty-ninth Annual General Meeting of Ottoman Bank was held on May 23rd at Winchester House, Old Broad Street, London, E.C.

The Right Honourable Lord Latymer, the chairman, presided, and in the course of his speech, said:

TURKEY

In 1955 a number of factors affected Turkey's balance of payments. The country has embarked upon an ambitious programme for the modernisation of many sectors of its economy. The Turkish Authorities are endeavouring to increase production, particularly by exploiting more fully the country's natural resources.

Such a policy, however, cannot be expected to produce immediate results. In the meantime, the heavy expenses of development schemes and of imports of materials have to be faced.

The effect upon the country's balance of payments was further aggravated by a serious reduction of exports, due to the partial failure of the 1954 cereal crop. The disparity between internal costs and world prices also caused exports to decrease.

Faced with this situation, the Turkish Government is not for the moment proceeding with certain important new schemes, which might weigh too heavily in the balance of payments. It has taken strong measures to curtail imports of consumer goods into Turkey and to see that foreign exchange resources are applied to the country's real and urgent needs. On the home front, the Government is making every effort to combat the inflationary tendency and its results.

As regards Turkey's foreign trade, imports have risen to Ltq.1,393,400,000 (an increase of Ltq.54 million compared with 1954); exports on the other hand declined to Ltq.877,400,000 (a fall of Ltq.60,400,000 compared with the previous figure of Ltq.937,800,000). The decline in exports is due to the suspension, in the first half of 1955, of cereal sales abroad. The deficit in the country's trade balance was Ltq.516 million in 1955 against Ltq.401,600,000 in 1954.

The Budget adopted in March last shows a total of Ltq.2,369,710,000 for current expenditure: to this must be added Ltq.955,264,000 for public works.

EGYPT

The year 1955 was in many ways one of remarkable stability and at December 31, 1955, the Cost of Living Index, the Note Circulation total, the Bank Loans and advances figure, and the Stock Markets Security Index showed very little divergence from the equivalent levels at the close of 1954.

For agriculture and for trade it was, on the whole, a favourable year. The area under cotton increased by over 200,000 feddans to 1,800,000 feddans. Trade figures show an increase over the 1954 totals. Imports rose to LEg.182,300,000 and Exports to LEg.138,400,000.

The cotton 1955-56 campaign opened in September, 1955, with a carry-over of some 2 million cantars. The current cotton crop

is estimated at about 7,500,000 cantars, thus making a total supply for 1955-56 of about 9,500,000 cantars, a figure slightly higher than that of the previous campaign.

SUDAN

On December 19, 1955, the Sudanese Parliament passed a Resolution declaring the Sudan an Independent Sovereign State. Your Bank is ready to play its part in promoting economic stability in the country and to help in every way the new State and its government.

1955 was, upon the whole, a good year for trade, with exports totalling: LEg.51,400,000 and imports LEg.48,800,000.

JORDAN

The harvest in 1955 was exceedingly bad owing to the poor rainfall in the Spring of that year. As a result, the cereals crop suffered very considerably and substantial quantities of wheat had to be imported. Owing to the drought, pasturage suffered, with consequent adverse effects on flocks. These conditions, coupled with a considerable degree of political uncertainty—particularly towards the end of the year—resulted in dull markets.

The 1955 trade figures were: Imports JD25,866,000; Exports and Re-exports JD2,545,000.

Fortunately, harvest prospects for 1956 are much brighter as early rains have been heavy.

IRAQ

In Iraq, little rain fell early in the year and the country was spared the dangers of the massive Spring floods which have so often threatened Baghdad and the southern provinces. On the other hand, this drought was disastrous for the harvests.

Trade figures for the year were: ID59,554,000 for Imports, and ID12,264,000 for Exports, excluding exports of oil.

CYPRUS

It is remarkable that, in spite of tension in Cyprus, trade in the Island steadily progressed. Indeed, the trade figures—Imports LCy30,420,000 and Exports LCy18,539,000—exceed the 1954 totals. Money in circulation rose by about LCy500,000 to LCy8 million—a new coinage, incidentally, was introduced in August, based on a decimal currency—and Bank Deposits increased from LCy17 million to LCy24 million.

MOROCCO

In Morocco 1955 was not a particularly favourable year for agriculture; exports of agricultural produce, however, reached FF57,000 million including FF16,400 million for grain and FF5,600 million for citrus fruit.

In the Foreign Trade figures Imports have fallen slightly: FF164,000 million against FF168,000 million in 1954. The adverse trade balance has been reduced from FF68,000 million to FF55,000 million as a result of increased exports: FF109,000

million against FF100,000 million in 1954. Thus, imports were covered by exports to the extent of 66.5 per cent against 60 per cent in the previous year.

LEBANON

In the Lebanon there was a decline in agricultural output in 1955, but a general improvement in organisation resulted in a net increase in exports of fruit, particularly of apples: 12,000 tons against 4,600 in 1952.

Imports totalled LLeb529 million in 1955 against LLeb527 million in 1954.

SYRIA

During the year under review the current business of the Banque de Syrie et du Liban proved satisfactory and an important change affecting the future status of the Bank in Syria was agreed. In accordance with the Currency Law of March 28, 1953, for the formation of a Central State Bank, negotiations took place between the Syrian Government and the Banque de Syrie et du Liban concerning conditions whereunder the note issue privilege, granted to the Bank until April 1, 1964, might be determined at an earlier date. The outcome of these negotiations was an Agreement signed on September 1, 1955; thereunder the note-issuing functions of the Banque de Syrie et du Liban will cease on July 31, 1956.

The Banque de Syrie et du Liban, which still remains the Bank of Issue in the Lebanon, will, of course, maintain in Syria as in the Lebanon its general commercial business.

LONDON AND PARIS, ETC.

Our Paris and London Offices and the Branch at Marseilles continued to work satisfactorily.

BALANCE SHEET ITEMS

The Balance Sheet total shows an increase of more than £10 million, with "Current, Deposit and Other Accounts," higher than last year. This increase in the deposits is reflected on the other side of the Balance Sheet almost entirely by the increases in Cash and Money at Call.

Bills Receivable and Investments appear at much the same figures as last year, with ratios to deposits slightly reduced to 16 per cent and 14½ per cent respectively. Advances also remain at approximately the same figure as last year but they too show a reduction in ratio by reason of the increase in deposits.

I think you will agree that the liquid position disclosed by the Balance Sheet can be considered satisfactory.

The total amount of profit available, including the balance of £33,470 brought forward, is £432,636 compared with £433,469 last year. After appropriating £200,000 to "Reserve for Contingencies," the balance remaining is £232,636.

The Committee proposes that a dividend of eight shillings per share be paid again this year, absorbing £200,000 and leaving £32,636 to be carried forward to 1956.

The report was adopted.

KEMSLEY NEWSPAPERS LIMITED

VISCOUNT KEMSLEY'S ANNUAL REVIEW

The Thirty-second Annual General Meeting of Kemsley Newspapers Limited was held on May 24, 1956, at Kemsley House, London. The following is an extract from the statement of the Chairman, the Viscount Kemsley, circulated with the Report and Accounts for the year ended December 31, 1955, submitted to the Meeting:

The combined trading profits, investment and special income together come to £1,584,000 and after deducting £99,000 for debenture interest the net earnings of the Group for 1955 before deducting taxation amounted to £1,485,000, as compared with £1,598,000 in 1954, a modest reduction in the circumstances in which we had to operate.

THE PROFITS TAX

The amount of £850,000 required for taxation is £56,000 less than in the previous year, as might be expected from the reduction in profits. While we recognise that taxation must be shared by all, I maintain that your Company is unfairly dealt with in the matter of profits tax levied on dividends. The fiscal purpose of such a tax is to place a curb on existing dividends and recent increases in the rate are designed to curtail spending money in the home market. In the past we have borne, under protest, this substantial charge on the fixed dividends payable on our preference capital and it is all the more regrettable that we should have to shoulder successive increases in this heavy burden, although we are merely fulfilling an obligation to our preference stockholders which was settled at a fixed amount many years ago. The tax operates particularly harshly in the case of our company and it is, therefore, most discouraging to be faced with two increases in the rate within a matter of months. For your information the distribution charge in a full year on the preference dividends at the rates as proposed in the budget speech is no less than £138,000, the whole of which has to be found out of earnings which are also subject to income tax at the standard rate.

THE DIVIDEND

Although your Company has encountered one of the most difficult years of trading in the thirty-two years of its history, your Directors consider that they are justified in maintaining the same distribution as for 1954 and therefore recommend a final dividend of 5 per cent, making 10 per cent for the year. They have transferred the sum of £200,000 to general reserve and after making these appropriations there is a slight reduction in the balance carried forward in the consolidated Profit and Loss Account, which is now £617,000 as compared with £621,000 a year ago.

The main changes in the consolidated Balance Sheet as compared with that of the previous year stem from the disposal of the interests to which I have already referred, including the reduction in the copyrights and goodwill and an increase of £500,000 in the item of trade investments because of the change in status of the nature of the investment held by Kemsley Newspapers Limited in the Glasgow company. It will be noted that there has been a decrease during the year of £310,000 in the amount of debenture indebtedness mainly arising as a result of purchases in the open market. In this con-

nection I should like to mention that since December 31, 1952, the outstanding amount of debenture stock of Kemsley Newspapers Limited has been reduced by the substantial sum of £869,612.

INCREASED SALES

I am happy to record that all our newspapers enjoyed, from the point of view of circulation, a very successful year. Not only the four Sunday newspapers of the Group, but also the eleven dailies—four mornings and seven evenings serving some of the most important industrial areas of the British Isles—reached sales figures in excess of the previous year.

"THE SUNDAY TIMES"

It is my custom to say a special word about *The Sunday Times*. Again I can record an increase in circulation in the year under review and I am glad to say further that the circulation in the first quarter of 1956 was the highest in the history of the paper. It has been a great satisfaction to be able to publish larger issues than at any time since 1939 and I and all connected with the paper are determined to maintain its progress, its influence and its authority.

The amalgamation of the *Empire News* and *Sunday Chronicle* has produced results beyond our expectations. We have retained a very substantial proportion of the joint readership, and whereas the circulation of the *Empire News* was just over two million before the merger, the sale of the combined publication has now risen to over 2,500,000 copies per issue, the highest sale ever attained by any newspaper of the Company.

Our family picture newspaper, the *Sunday Graphic*, continues to maintain its sale in a large and clearly defined market. The emphasis is on people and personalities.

OUR OBLIGATIONS

It was not easy last year to forecast the future. It is no less difficult today. During the last decade the Press has been in a process of development, change and flux. Is it untrue or harsh to say that the conduct of newspapers has become more of a business and less of a profession and has become more concerned with providing entertainment than providing news? It has always seemed to me that beyond a commercial purpose, social and indeed moral obligations rest upon those responsible for the Press of this country. Yet so often it seems these obligations conflict with the commercial purpose. You have always supported me in my constant endeavours to produce newspapers of which we can all be proud, but I am bound to remind you that the advertiser who provides us with so much of our life blood is primarily influenced by figures of circulation. Unless we too do our best within the limits we set to provide the public with what it wants to read we are not fulfilling our obligations to your Company. At the present time our publications are in a very healthy condition and I have no reason to be dissatisfied with them. They are in the hands of a young and enthusiastic staff full of eager determination, and on this occasion I would like in particular to express my appreciation of the untiring support given to me by each and every one of my colleagues on the Board in a year of exceptional difficulties.

G. & J. WEIR, LIMITED

ANOTHER RECORD

The sixty-second annual general meeting of G. & J. Weir, Limited, will be held on June 25th at Glasgow.

The following are extracts from the circulated statement by the chairman, The Honourable J. Kenneth Weir, CBE, for 1955:

The company has now been operating for one year with the direction of the Executive Board. I am glad, therefore, to report that the output of new work and repairs created another record—a gratifying result achieved with the same manufacturing capacity as in 1954. While this increase in output reflects improved production efficiency, we continued to have the advantage of a fair proportion of repetitive work, although rather less than that which we have enjoyed during the past three years. A high proportion of the output was for export markets, deliveries to foreign shipbuilders, in particular, showing an improvement over 1954. Indeed our export performance compares very favourably with the exceptional year 1954, which benefited substantially through the shipment of the greater part of our large contract for Kuwait.

During the course of the year your Executive Board approved the final arrangement and layout of a new Test and Development Shop which will occupy a considerable part of the old Foundries. Designed to enable the very largest boiler feed pumps to be tested at full load, pressure and temperature, this shop will probably be the finest of its kind in the world. Provision will, of course, also be made for the testing and development of our other products such as evaporating and distilling plants, de-aerators and other heat exchangers, pumps and compressors. Alongside the new Department will be our Research building—a three-storied structure fully equipped with all the necessary facilities for fundamental and shorter term research. Substantial progress has already been made in its construction.

THE OUTLOOK

Turning now to the input of new work, we have made a very good start indeed at Cathcart, and our normal orders continue to follow the upward trend which began in the late Autumn of 1955. Moreover, during the first quarter of this year the Parent Company received the largest individual contract in its history. This is for the supply of four large Evaporating and Distilling Plants for the Island of Aruba, Netherlands Antilles, and its value is approximately £1½ million sterling. This valuable and important addition to our orders was secured against strong International competition. At Yoker the trend of new orders is also encouraging, and the Housing Corporation equally report a good start to the year, as do the smaller units in the Group. Finally, current inquiries are at a healthy level and we feel that our order position should show a still further improvement in the next few months.

We are, therefore, in a stronger position than we were last year, and, although the prospects of the Housing Division are more obscure the outlook for the Engineering Companies in the Group seems definitely brighter. Of course, while a larger order book is undoubtedly encouraging, in the last resort it is mainly the cost of manufacture which determines whether our results will improve or worsen.

Unless unexpected contingencies supervene, there seems no reason why we should not continue to give a good account of ourselves.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY

(Inc. in Newfoundland)

MARKED IMPROVEMENT IN EARNINGS

MR ELLIOTT M. LITTLE'S REVIEW OF GROUP'S ACTIVITIES

The ordinary general meeting of Anglo-Newfoundland Development Company Limited, was held on May 21st at the offices of the company, Grand Falls, Province of Newfoundland, Mr Elliott M. Little (the President) presiding.

The following is the statement by the President which had been circulated with the report and accounts for the year ended December 31, 1955: The marked improvement in consolidated earnings of the Company for 1955 arose out of higher production of newsprint and a substantial increase in the revenue from its mining interests. Both sources of income were aided by a strengthening of the United States dollar.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY, LIMITED

The demand for the Company's products was good throughout the year. Production of 231,736 tons of newsprint set a record for the Company. The benefits which might have been expected from improved manufacturing facilities and more favourable exchange rates were largely offset by a general wage increase and higher delivery expenses.

The major projects under the long-term rehabilitation programme have now been completed, but preliminary work on the speeding-up of three newsprint machines has been commenced as part of the plan to further increase production, to which I referred in my report of last year.

The outlook for the year ahead is undoubtedly favourably influenced by a newsprint price increase of \$4.00 per ton which became effective on January 1, 1956. The extent of increased earnings may not, however, be safely forecast at this time due to continued rising costs.

Reference was made in my 1953 report to the Company's interest in the British Newfoundland Corporation Limited. Additional shares in the latter Company were purchased in the past two years and 259,651 shares at one Canadian dollar per share are now held.

GASPESIA SULPHITE COMPANY, LIMITED

The Mill operated at capacity throughout the year and produced a total of 79,774 tons or 5,688 tons more than in 1954. Of this total, 22,764 tons was unbleached sulphite pulp and 57,010 tons bleached pulp.

The price of each product was increased by \$10.00 per ton during the year, the differential between the two prices remaining at \$20.00 per ton. The higher proceeds obtained from sales were partly offset by increased costs of raw material, chiefly pulp-wood.

Prices and demand, at least for the immediate future, appear to be firm.

TERRA NOVA PROPERTIES, LIMITED

The improvement in base metal prices was responsible for the increased earnings

from the Company's Newfoundland property and its other mining interests.

The quantity of ore mined and milled at the Buchans Mine was 291,000 short tons compared with 340,000 tons for 1954, the decrease of 49,000 tons being due to a work stoppage of 37 days caused by a labour dispute.

Exploration and geological reconnaissance work was carried out throughout the summer season on areas within the Crown Lands Concession, but no mineralisation of economic importance was discovered.

Buchans ore reserves as of December 31, 1955, were estimated to contain approximately 6 million short tons of assured and probable ore, as compared with 5,694,000 tons at the end of 1954, the increase of approximately 306,000 tons coming from R-1 and R-4 orebodies.

Mine development for the year consisted of approximately 16,000 feet of diamond drilling, of which 6,000 feet were carried out underground outlining R-4 orebody and 10,000 feet in conjunction with development work in R-1 and O-2 orebodies.

Production for 1956 is estimated at approximately 340,000 short tons of the same grade as that obtained during 1955.

TERRA NOVA EXPLORATIONS, LIMITED (NO PERSONAL LIABILITY)

The above Company was incorporated under the Quebec Mining Companies Act on February 7, 1955, with an authorised share capital of 20,000 shares of the par value of \$1 each, of which 2,000 shares were issued and subscribed for by Terra Nova Properties Limited. The primary purpose of this Company is to prospect for minerals in the Province of Quebec.

MONTMORENCY SHIPPING LIMITED

The financial results of this Company for the year ended December 31, 1955, resulted in a small profit, which may be considered satisfactory in the light of general conditions prevailing throughout the year. The Company continues to operate a number of vessels on time charter for the purpose of delivering newsprint to the parent Company's customers. Deliveries were carried out at costs which were not affected to the full extent of the increase in the ocean going freight and charter rates.

CONSOLIDATED POSITION

Consolidated Profit, after depreciation and taxes, of \$4,632,139 is equivalent to 84c per stock unit, compared with \$3,631,516 or 66c per stock unit for the previous year. Consolidated Working Capital amounted to \$22,028,640 compared with \$20,032,211 as at December 31, 1954.

I wish to express my appreciation of the loyal and efficient services rendered by the officers and employees of the Company throughout the year.

The report and accounts were adopted.

BRITISH PAINTS (HOLDINGS)

INCREASED SALES AND PROFITS

The twenty-sixth annual ordinary general meeting of British Paints (Holdings) Limited, was held on May 23rd at Newcastle upon Tyne, Mr J. W. Adamson (Chairman) presiding.

The following is an extract from his circulated statement:

Sales over the trading period last year constituted a record for your Company, both at home and abroad. The net profit, before tax, at £962,450, can be considered most satisfactory and is, indeed, higher than that of 1954. Profits would also have been a record had it not been for the exceptionally keen competition which continued in the industry over the whole of 1955. This was particularly so in Government business, where some Companies, large and small, continue to sell at Gate Cost with little or no contribution towards overheads or profit.

While the Paint Manufacturer is solely to blame for this state of things, let us hope that the Monopolies Commission will encourage efforts by Industrial Associations to safeguard themselves by being allowed to fix a fair selling price to the Government.

The debasing of prices should be an offence in the recent Government Monopolies Legislation. Sound business can only be built up if the selling price contains at least a margin of profit. The Government Departments should allow the inclusion of a contribution in their prices which will give this.

Nineteen fifty-six has started off well in the Paint Industry, but will it continue if the Government do not immediately cut their costs and spending and reduce the monopoly prices of coal, electricity and gas, which are now a heavy charge on all industry. If this is done we need not be living in an artificial world.

Profits in the Paint Industry are looked upon as being high, but it should be borne in mind that a proportion of these, in many cases, are earned overseas and from goods other than paint.

You have reason to be proud of the progress of the Overseas Companies. In all cases sales have increased, and satisfactory profits have been made with the exception of one Company and I am sure all your Companies can face the future with confidence since your factories are amongst the most up to date in the world.

Your Parent Company still provides the lion's share of our net profit. It should be remembered that it has always been the policy of your Company to plough back, and this policy is being adopted in the case of the Overseas Companies.

Arrangements have been made in this country for the manufacture of specialised products in the Plastics, Electrical, and Guided Missile industries. The Paint Industry has now become a highly scientific one and your Company are well to the fore. Given the continuance of good trading conditions we can look forward to the future everywhere with confidence.

Of the profit of the Group, £962,450, £509,875, Dividend on Preference and Ordinary Stock will be £127,464 and the Carry Forward is £922.

Your Directors have decided to pay a dividend of 20 per cent, less tax, making per cent, less tax, for 1955 on the Ord. Stock. Current assets exceed current liabilities by £2,824,698. The report was adopted.

THE SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

RECORD LIFE FIGURES

INCREASED FIRE AND ACCIDENT PREMIUM INCOME

SATISFACTORY INVESTMENT POSITION

MR CHARLES F. J. YOUNGER'S REVIEW

The one hundred and thirty-first Annual General Meeting of the Company was held at Edinburgh on May 23rd.

The following is an extract from the statement made by the Chairman, Mr Charles F. J. Younger, DSO, TD, circulated with the Report and Accounts for the year 1955:

A year ago it was stated the Directors might find it desirable to seek a new Act of Parliament and to revise the Company's capital structure. A Private Bill is in course of passage through Parliament, and a circular giving full particulars of the capital reconstruction scheme embodied in the Bill was issued to the shareholders in November last. The shareholders will be given as early intimation as possible of the date fixed by the Directors on which the capital reconstruction scheme will take effect.

The new life business completed, after deduction of reinsurance, was more than £6,360,000, a new record for the Company, while the Life and Annuity Fund increased by nearly £2 million and is now almost £22 million. The quinquennial valuation of the Life and Annuity Assets and Liabilities was carried out as at December 31, 1955 and, after setting up actuarial reserves on the usual stringent basis, and making full provision for contingencies, there was a surplus amounting to £1,332,187. The Directors have declared a reversionary bonus for the past five years at the rate of 42s. per cent per annum calculated on the sum assured in respect of home with-profit policies in force on January 1, 1956. The strong financial position disclosed by the valuation and the satisfactory bonus declared indicates that with-profit policies should appeal to those who wish both an assurance and an investment.

The Premium Income in the Fire Department for the year 1955 amounted to £5,354,567, an increase of £292,093. The claims experience during the past year was lighter, the loss ratio being 53.7 per cent compared with 57.1 per cent in the preceding year. The continued high loss ratio, together with the mounting expense of conducting our business in the USA where our portfolio represents a large proportion of the Fire Account, overshadowed the good results obtained from the business in other parts of the world, and had the effect of leaving the account with a deficit of £133,680 after provision for unexpired risks.

The net premiums in the Accident and General Account increased to £1,966,230 compared with £1,811,431 in 1954. The increase in the number of claims coupled with the high cost of settlement of injury claims and the heavy cost of repairs had an adverse effect on the Motor Account, which was offset by the very satisfactory results in the other sections of the Account. Although the year's operations showed a trading profit of £51,498 on the whole Account, the sum of £25,105 was transferred from the Profit

and Loss Account in order to maintain the unexpired risk provision of 50 per cent of the premium income.

In the Marine Department a reduction took place in the premium income and the sum of £140,000 was transferred to the Profit and Loss Account.

The past year has been marked by an increase in interest rates which should reduce the demand from borrowers and prove an inducement towards saving. The net rate of interest earned, after deduction of income tax, on the Life and Annuity Fund increased from £4 0s. 1d. per cent to £4 4s. per cent. During 1955 a larger amount than in recent years has been advanced on the security of house and other real property

(combined with endowment assurances effected with the Company), which has had a stimulating effect on our new life business.

The Directors felt that at the present time it would not be appropriate to suggest any further increase in the dividend, and recommended that a dividend of 8s. on the "A" shares and 30s. on the "B" shares be confirmed.

The Chairman paid tribute to all the officials and members of the staff at home and overseas who have given wholehearted service to the Company during the past year and to all members of local boards and agents at home and abroad who have continued to give the Company their valuable support.

The Report and Accounts were adopted.

REICHOLD CHEMICALS

MAINTENANCE OF HIGH PROFIT LEVEL

MR W. H. BREUER'S STATEMENT

The fourth annual general meeting of Reichhold Chemicals Limited will be held on June 12th at Winchester House, Old Broad Street, London, E.C.

The following is the Statement by the Chairman, Mr Walter Hugo Breuer, circulated with the report and accounts:

The Annual Accounts are presented in a similar form to last year, and adequately reflect the year's operations of our Group of Companies and their position at the close of the year.

Your Directors view with satisfaction the maintenance of a high profit level and recommend the payment to the Holders of Ordinary Shares a Final Dividend of 10 per cent, and a Cash Bonus of 5 per cent. With the Interim Dividend of 7½ per cent already declared and paid, this makes a total Dividend for the year of 17½ per cent and a total distribution of 22½ per cent.

The Cash Bonus of 5 per cent implements the promise made in my last year's statement.

Your Directors have placed a further £100,000 to "General Reserve."

REDUCED PROFITS MARGINS

Due to the Credit Squeeze which was brought about by the Autumnal Budget, in conjunction with unexpected increases in the price of Raw Materials the profit margins in the last quarter of the year were somewhat reduced, although the volume of sales continued at a satisfactory level. The operating Companies endeavoured to support the Chancellor's exhortation to avoid increasing prices and in fact maintained or reduced their selling price schedules from March, 1955, throughout the year.

In spite of ever-growing competition and increased volume of imported Synthetic Resins, your operating Companies continued to hold and even increase their sales turnover based on overall increased production.

Our close and beneficial association with Reichhold Chemicals, Inc., and its associated Companies continues and all enjoy the frequent exchange of technical information in the field of new developments.

NEW PRODUCTS DEVELOPED

During the year a number of new products have been developed by the Research and Technical Service Laboratories and we are now firmly established in the fields of Fibreglass Reinforced Plastics and Vinyl Polymers.

Unfortunately the hope of bringing into effect our production of Phthalic Anhydride by March, 1956, has not materialised, due to delays in delivery of important component parts of the Plant and it is now anticipated that the benefit from the production of this essential Raw Material cannot be expected until at least the closing months of the present year.

You will doubtless wish to associate yourselves with the tribute I am happy to pay on behalf of the Board of Directors, to all our Factory employees, Technical and Administrative Staffs and Directors of the Operating Companies, for their enthusiasm and loyal support.

REICHOLD CHEMICALS LIMITED

Subsidiary Companies:
Beck, Koller and Co. (England) Limited

James Beadell and Co., Limited
Vinyl Products Limited
Vinatex Limited

DIRECTORS:
WALTER HUGO BREUER (U.S.A.)
(Chairman and Joint Managing Director)

GEORGE SAMUEL BACHE

(Joint Managing Director)

DAVID H. EVANS

HENRY H. REICHOLD (U.S.A.)

TREVOR GERARD

JOHN E. O. MAYNE, D.Sc.,

F.R.I.C., A.R.C.S., D.I.C.

STEFAN H. BAUM, Ph.D. (U.S.A.)

GEOFFREY WARD PLATT, F.C.A.

EDOUARD J. A. P. RABOUIN (France)

Secretary and Registered Office:

DAVID PEEL,

Beckacite House, Edwards Lane,

Speke, Liverpool, 19.

CAPITAL:

Authorised: £1,150,000

Issued: £749,401 in 6½% Redeem-

able Cumulative Preference Shares

of £1 each and Ordinary Shares of

5s each

Quoted London and Liverpool

Group Profit before Taxation

£335,802

Profit after Taxation £170,877

Ordinary dividend for year to

December 31, 1955, 17½% plus a

Cash Bonus of 5%

Ordinary Share price at May 15,

1956, 17s 9d

High/Low quotation 1956,

23s—17s 6d

THE CAPE ASBESTOS COMPANY LIMITED

A YEAR OF GRATIFYING PROGRESS

MR ROBERT WALKER ON RECORD OUTPUT

The sixty-third annual general meeting of The Cape Asbestos Company, Limited, will be held on June 11th in London.

The following is an extract from the statement by the chairman, Mr Robert Walker, MBE, which has been circulated with the report and accounts for the year ended December 31, 1955: It is gratifying to be able to disclose a substantial increase in profits. The most significant contribution to this improvement stems from the activities of the home factories and from the efforts of the sales force both at home and abroad. In South Africa the recovery made in 1953 has made further headway, though with a change of emphasis to which I will refer later.

ACCOUNTS AND BALANCE SHEET

The Group trading profit for the year amounted to £1,538,194, compared with £1,256,015 in 1954. After setting aside £503,767 for depreciation, against £453,717 in 1954, and making various other adjustments, the amount of the remaining net profit attributable to the Company is £1,044,332, compared with £790,946 in 1954.

The trading profit of the Parent Company alone has risen from £588,813 in 1954 to £745,468, which is a record. Adding the amount brought forward from 1954 of £139,687, and an amount of £11,514 for Taxation over-provided in earlier years, the sum of £896,669 remains for disposal. From this, taxation requires £316,000 and the final dividend proposed of 10 per cent, making with the 2½ per cent interim, a total of 12½ per cent for the year, absorbs, together with the Preference dividend, £215,625. It is proposed that £225,000 shall be placed to reserve, and that £140,044 be carried forward to next year.

The net increase of £218,407, after charging £503,767 for depreciation, in the value of the fixed assets recorded in the Consolidated Balance Sheet, is a reflection of the expansion programme envisaged when we raised additional capital late in 1954. This programme is steadily proceeding and in due time the capital thus invested will make its contribution to our profits. Our cash position is strong and, at this time of financial stringency, it is reassuring to know that we have adequate finance for our known needs.

During the year the capital of Andersons Insulation Company Limited, was acquired in exchange for the issue to the shareholders in that Company of 600,000 shares of 5s. each in The Cape Asbestos Company Limited. The issued capital of your Company has consequently been increased by this amount, and the assets of Anderson Insulation Company Limited, have been consolidated in the Group Balance Sheet.

SALES

During 1953 a considerable expansion of the sales force of your Company took place with the object of widening the field of consumption of our products. The impetus of the efforts made at home on the Continent and, notably, in North America and Canada has gradually mounted, and the satisfactory

results which I am able to lay before you today are due very largely to the energy and devotion to their task which has been shown by every member of the sales organisation.

The total sales revenue of the Group in 1955 increased by rather more than 20 per cent, the proportion of growth being about identical as between crude asbestos and factory produced goods. Of the total shipments from South Africa of crude asbestos a high proportion was to the dollar area.

FACTORIES

Manufacture and sales are naturally wholly interdependent, and the factories have not only risen to the task of providing a record output, but have grasped the opportunity provided by a full production line to improve efficiency and thereby moderate the adverse effects of rising costs. This is clearly a most vital task in times of recurring wage claims and of consequential increases in the cost of materials and services. A considerable programme of expansion is in train, notably for the production of our Asbestolux boards, for which demand both at home and abroad far exceeds our capacity to supply. I must in addition report that at Stirling, where we manufacture the natural mineral wool products marketed under the name of Rocksil, the capacity of the factory is being doubled.

SUBSIDIARIES

In my statement last year, and in 1953, I referred to the anxieties which beset us in connection with the mining and treatment of the Blue and Amosite asbestos in South Africa.

I am glad to say that on the Blue mines the quality of the fibre turned out by our enlarged and re-fashioned mills showed further improvement and stability, and there was also a material increase in production. The demand for Blue fibre remains extremely strong and shows signs of becoming world-wide.

The demand for Amosite, too, remains very strong, but the mining problems have been considerably greater than in the Blue fields. While confident of the exceptional nature and extent of the deposits of Amosite which are operated by your South African Companies, there is no doubt that as mining increases in depth, the hardness of the country rock and other attendant problems will increase the costliness of winning the fibre. Increased expenditure of time, labour and money will have to be devoted to development and to lateral exploration. It is therefore probable that both the cost of production and the cost of capital equipment may be considerably greater than was anticipated in 1954. Measures are being taken to put both mines and mills in a position to meet the growing demands of our own factories and of our consumers. I am glad to be able to add that the improved quality of the fibre coming from the treatment plants has been maintained throughout the year.

The statement concluded with a review of the other subsidiary companies at home and overseas.

JOHNSON & PHILLIPS, LIMITED

(Cable Makers, Electrical and General Engineers and Contractors)

The fifty-first annual general meeting of Johnson & Phillips, Limited, was held on May 17th in London.

Mr G. Leslie Wates, JP, Comp.IEE (the Chairman), presided and, in the course of his speech, said: I am glad to be able to draw Shareholders' attention to an increase of over £100,000 in the balance brought in from the Trading Accounts amounting to £647,000. It shows a welcome recovery from that of the previous year. The Directors recommend the same dividend of 15 per cent. Expressed as a percentage of the Ordinary Shareholders' capital invested in the business at book values, this dividend is equivalent to 4.79 per cent, which critics will perhaps remember when criticising so-called Restrictive Practices. The Directors have transferred £100,000 to Revenue Reserve, leaving £147,821 to be carried forward, which compares with £152,136 brought in. During the past eight years we have put to Reserve just under £1 million.

On May 10th the Company sent you papers inviting you to subscribe to an issue of £1,800,000 of 5½ per cent Loan Stock, issued at 97 per cent, repayable in 1976, but with an option to the Company to repay in 1971 or thereafter. The issue has been underwritten for a commission of 1 per cent. I commend it to our Shareholders and have every hope that it will be well supported by them.

The report was adopted.

LIMMER & TRINIDAD LAKE ASPHALT

RECORD YEAR'S TRADING

The Eighty-fourth Annual General Meeting of The Limmer & Trinidad Lake Asphalt Company, Limited, will be held on June 14th at Trinidad Lake House, 232-242, Vauxhall Bridge Road, London, S.W.

The following is an extract from a circulated Statement by the Chairman, Sir John Hathorn Hall:

For the fourth successive year the Group Trading Profit has created a new record. Including income from trade investments and Government securities, the Trading Profit amounted to £711,255 or some £62,000 better than in the previous year. This notable increase of trading profit is not to be ascribed to any widening of our profit margin. On the contrary, it has been achieved in spite of a general narrowing of our margin of profit and is the result of an increase of turnover amounting to about 15 per cent. This increased volume of work comprehends practically all our Branches and Associated Companies and extends over the whole range of our activities.

Your Directors recommend a Final Dividend of 10½ per cent, making a total for the year of 15 per cent on the capital increased in June, 1955, to £1,100,000.

The higher level of activity which was so encouraging a feature of 1955 has been more than maintained during the current year.

I hazard the prophecy that whatever the Government of the day may do or fail to do, there should be a sound and profitable future for Limmer & Trinidad.

THE PYRENE COMPANY

FURTHER EXPANSION

The forty-second annual general meeting of The Pyrene Company, Limited, will be held on June 14th in London.

The following are extracts from the circulated Statement by the Chairman, Mr Francis A. J. Harrison, for 1955:

During 1955 opportunities were taken to further expand your company's interests. Towards the end of June the offer to purchase the share capital of Minimax Limited became unconditional, and the entire share capital of the company is now owned by your company. Early in July your company acquired a controlling interest in High Pressure Components Limited and its wholly owned subsidiary, The Sun Engineering (Richmond) Limited.

INCREASED PROFIT

The 1955 Group trading profit amounted to £659,277, against £616,428 for 1954. The 1955 consolidated profit, before tax, was £549,885, as compared with £532,298 for the previous year. Your directors recommend a final dividend of 15 per cent, making 25 per cent for the full year.

Sales of the Parent Company established another record at 14 per cent higher than those in 1954. Direct export sales were increased by 8 per cent and shipments were made to 93 overseas territories. Unexecuted orders on the Parent Company's books at December 31, 1955, were 12.3 per cent higher than at January 1st that year.

Briefly it was necessary for the Parent Company to sell and make more goods to earn approximately the same amount of profit before tax. This was achieved by intensifying sales efforts at home and abroad, installing additional plant, improving manufacturing methods and keeping prices steady. By these measures the increases in costs of wages, materials and services were practically balanced.

The Canadian Company's sales in 1955 were 8 per cent higher, and the profits showed an encouraging improvement. In June last a Foam Engineering Department was added to this company's operations.

MINIMAX LIMITED

The 1955 profits of Minimax Limited were comparatively low, mainly due to the development and installation of new plant and methods which will not come into full operation until the middle of 1956, and to an increase in general costs without any increase in the selling prices.

The products of High Pressure Components Limited are mainly high pressure valves and couplings of special design used extensively both on normal and on the newer types of aircraft and in industry generally. This business, which is being built up, should broaden the scope of your company's interests. There is also a good outstanding order book for the special type of Crash Trucks made by this company's subsidiary, The Sun Engineering (Richmond) Limited.

During the first four months of 1956 the Parent Company's sales in terms of shipments were running at 6 per cent higher than the average of 1955. Production of motor-car bumpers should not be less than that of 1955 unless the output of the company's motor-car manufacturer customers drops by more than 20 per cent, which does not appear to be probable from the present production schedules.

UNITED MOLASSES COMPANY, LIMITED

LARGER PROFITS

The thirtieth annual general meeting of this Company will be held on June 12th, in London.

The following is an extract from the circulated statement by Mr G. W. Scott, CBE, chairman and managing director, for 1955:

Last year I forecast that the group profits for 1955 would be satisfactory, but possibly at a slightly lower level than those for 1954; and it is, therefore, with pleasure that I have to advise you that the gross profits of the group for 1955 at £5,170,654 have considerably exceeded such forecast.

The recommended increase in the Ordinary dividend is considered fully justified, in the light of the increased profits.

The Consolidated Balance Sheet reveals the great strength of the company and indicates that the company has ample funds to meet its substantial capital commitments and at the same time provide capital for future reasonable developments without having to resort to the issuance of fresh capital or obtaining loans on the money market.

Molasses prices during 1955 remained stable and at a reasonable level, and these conditions encouraged a further increase in consumption. While it is difficult and dangerous to attempt to forecast the trend of affairs in the future, nevertheless, your company has started off well during the current year, and present indications are that the profits for 1956, barring any unforeseen recession or catastrophe, should not be less than for 1955.

MONSANTO CHEMICALS LIMITED

The following are the salient features of the circulated statement of the Chairman, Mr. Edward A. O'Neal, Jr., which will be presented at the Annual General Meeting on 19th June, 1956.

Sales established a new record at £13,499,986, an increase of 7 per cent over 1954. Direct exports increased to £5,056,553, an increase of 5 per cent over 1954, and represented 37 per cent of all sales. Dividend for the year on the ordinary stock totalled 22½ per cent on the nominal value of the stock. Profit for the year before taxation was £1,789,573.

EXPANSION / Capital expenditure during 1955 totalled £1,257,801. Construction began on a number of new manufacturing units together with ancillary additions to services and power installations, whilst additional research facilities were completed. Expansions carried out will give increased production of polystyrene, chemical additives for lubricating oils, chemicals for the rubber industry, intermediates for detergents and raw materials for the plastics and paint industries.

The 1956 construction programme includes facilities for producing "synthetic rubbers" for shoe soling and surface coatings, also new plants for maleic and phthalic anhydride, which are used in the production of resins for the plastics and paint industries.

Manufacture of oil additives will be further expanded and phenol output is being increased by a series of plant expansions.

FUTURE DEVELOPMENT / At Ruabon and Newport, development of manufactures in line with the general character of operations at these factories will be continued. Plans for long-term development in the field of petrochemicals have been announced.

Following discussions with Esso Petroleum Company Limited, our two companies have reached agreement in principle in respect of an arrangement under which Esso have offered us a site for a new plant to be erected by us adjoining their refinery at Fawley in Hampshire.

As our first operation at this location we propose to add substantially to our present plastics business by manufacturing polyethylene from supplies of ethylene which will become available from the Esso refinery. It is our intention to develop other plastics and chemicals on the same site from products from this refinery.

Assured access in this country to the new but rapidly expanding source of raw materials derived from petroleum will provide a sound and solid basis from which these further developments will be aggressively pursued.

Copies of the Annual Report are available on application to the Department of Industrial and Public Relations.

MONSANTO CHEMICALS LIMITED

Registered Office: 8, Waterloo Place, London, S.W.1.

Sales Offices: Victoria Street, London, S.W.1, and at Royal Exchange Buildings, Manchester.



POWER SECURITIES CORPORATION

EXPANDING TURNOVER

The thirty-third annual general meeting of Power Securities Corporation Limited will be held on June 13th in London.

The following are extracts from the circulated Statement of the Chairman and Managing Director, Sir Andrew M. MacTaggart, for 1955:

Profits from contracts and other income, together with income from investments, has for the first time passed the million mark, and amount to £1,093,893, compared with the previous year's figure of £930,497. The consolidated net profit for the year is £310,996, an increase of over £40,000.

PROPOSED ISSUE OF SHARES

The past year has been one of activity in all branches of the organisation, and I hope you will regard the results as satisfactory. The increased volume of work, together with increased costs, has meant that we have had to rely on our bankers for a substantial amount of finance, and your directors have come to the conclusion that further capital is required in order that we may cope with the expanding turnover, particularly in connection with overseas contracts where large financial outlays are necessary. They have therefore under consideration the issue of the 300,000 undenominated shares as Ordinary Shares. Application has been made to the Capital Issues Committee for Treasury consent to this issue. Subject to this consent being granted, it is proposed that these shares will be offered for subscription by the Ordinary shareholders in the proportion of one new Ordinary share for every four Ordinary shares held. The price, of course, will depend on market conditions at the date of issue.

In order to provide for possible future requirements, a Resolution will be proposed at the annual general meeting, under which the Authorised Share Capital will be increased to £2,500,000 by the creation of 500,000 unclassified Shares of £1 each.

Your Directors recommend that the dividend on the Ordinary shares be increased by 1 per cent, making 10 per cent for the year.

THE FUTURE

With regard to the future, I am not going to attempt to make any prophecy, but I would like to mention a few things which affect our financial interest in contracting overseas, in which field we have been very actively engaged during the past 25 years, and at the moment have many interests.

The holding back of capital investment is a matter of Government policy, and as I see it this can only be of short duration, as any prolonged restriction of this nature could only result in our losing opportunities of creating markets for our exports, the need for which is so vital to this country.

There is, however, in the Middle East, a much greater problem, which, if successfully resolved could well lead to a period of peace and prosperity throughout the world. With a long and intimate knowledge of the Middle East, I consider the solution of this problem is our country's number one priority. With such peace assured, the development of Nuclear Power, and the opening up of sources of raw materials within our Colonies and the Commonwealth, we would look forward with confidence to the future.

SAPONG RUBBER

In his address issued with the annual accounts and directors' report of The Sapong Rubber Estates Limited for 1955 the Chairman, Mr H. W. Horner, says:

In July it became necessary to increase wage rates substantially, as the result of the rise in the price of rubber which had then begun. In spite of this the management was able to keep the cost per pound of manufacture and the cost of distribution at practically the same figures as in the previous year, but the cost of tapping and the cost of upkeep were appreciably higher.

The cost of production in 1955 includes a new item, export duty, as the fifty year period of exemption expired on March 31, 1955. Export duty for nine months and cess for research for the twelve months total £14,188. After deducting this sum from the profit for

the year we are left with £24,945, of which fully half is absorbed by North Borneo and United Kingdom income tax and United Kingdom profits tax, leaving £12,201. From this remainder, the directors have transferred £5,000 to Capital General Reserve, with the purpose of maintaining and to some extent improving the Company's financial position, and they recommend payment of a dividend for the year of 10 per cent less income tax.

A substantial programme of extension was begun in 1952. The new planting done so far amounts to 405 acres, and as these rubber trees of modern high-yielding types come into bearing we may expect to have increasing crops to record.

The Board has it in mind to dispose of some 5,000 to 6,000 acres of the reserve, so situated that occupation by others should not seriously affect the Company's own operations or constitute enclaves within its boundaries.

HUMPHREYS LIMITED

(Building and Civil Engineering Contractors)

PROPOSED NEW SHARE ISSUE

The sixty-fourth annual general meeting of Humphreys Limited will be held on June 19th, at Winchester House, Old Broad Street, London, E.C.2.

The following is an extract from the statement by the chairman, Mr A. V. Bridgland, CBE, which has been circulated with the report and accounts:

In the parent Company we are busily engaged on some very large contracts. Each of these contracts is of seven figures in value, and two of them are likely to be completed before the end of 1957, while a third one will take us about another two years to complete, i.e., before the end of 1959. Apart from these, a great number of contracts of smaller amounts are in our hands, and to these fresh business is constantly being added. I may sum up our Home business by saying it is large and active and should be remunerative.

Abroad, we are still working in Gibraltar for the Government Services, and have an appreciable amount of work in hand.

In South Africa, our subsidiary, R. H. Morris (Proprietary) Limited, has now got through the teething troubles that inevitably occur through a change of management. Its business on hand has increased sharply, and it is hoped that all its departments will now contribute to its profits. Our interest in National Quarries (Proprietary) Limited is a profitable one, and at present we are working to capacity.

The year under review has shown a satisfactory profit, and there are indications that these results will be improved upon in the

current year, unless some unforeseen occurrence upsets our calculations.

CAPITAL STRUCTURE

Looking at the parent Company's affairs, it will be seen that shareholders' funds, reserves, and carry forward total £527,561. Of this amount, share capital is represented by £300,000 and reserves and carry forward by £227,561. This is after adequate provision has been made against all contingencies. The Board feel that if and when reserves permit the Ordinary capital of the Company, which was written down in 1935 by 15s. per £1 share, should be restored by means of the capitalisation of reserves. As the shareholders know, Ordinary shares to the extent of £100,000 have already been issued in this way, and I am happy to say that Capital Issues Committee consent has been received for the issue of a further £50,000 worth of Ordinary shares. This will have the effect of raising our Ordinary capital to £250,000 and reducing our General Reserve to £100,000, leaving intact our present balance in Profit and Loss Account to be carried forward. The Board very definitely feels that the size of the Company's business today makes it imperative that the Issued Capital of the Company should be enlarged so as to be more in relation to its commitments.

A dividend for the year has been recommended on the Ordinary shares of 15 per cent. It is hoped to maintain this dividend on the increased capital that will result from the proposed new issue of shares.

POSITION IN BRIEF		£
Earned profit before taxation...	...	115,267
Less taxation ...	...	58,800
Net profit after taxation ...	...	£56,467
Appropriated as follows:—		
Preference dividend net ...	...	3,163
Ordinary dividend net ...	...	17,250
Balance retained ...	...	36,054
		£56,467
Preference Shareholders:—		
Issued capital ...	...	£100,000
Gross dividend covered by taxable profits ...	...	20.9 times
Capital covered by net assets ...	...	5.7 times
Ordinary Shareholders:—		
Issued capital ...	...	£200,000
Gross rate of dividend paid ...	...	15%
Gross rate earned on present capital excluding Reserves ...	...	54%
Net assets attributable to each 5s. Ordinary Share ...	...	11s. 10d.

THE ECONOMIST, MAY 26, 1956

THE RHODESIA BROKEN HILL DEVELOPMENT COMPANY LIMITED

(Incorporated in Northern Rhodesia)

HEAVY CAPITAL EXPENDITURE PROGRAMME

SUBSTANTIAL INCREASE IN ORE RESERVES

The forty-sixth annual general meeting of members of The Rhodesia Broken Hill Development Company Limited will be held at Nkana, Northern Rhodesia, on June 13th. The following is the statement by the chairman, Sir Ernest Oppenheimer, which has been circulated to shareholders with the annual report and accounts:

During the year, the market for zinc and lead was firm. Although the revenue from the sale of metals in 1955 at £4,028,000 was £487,100 higher than the previous year, production costs, realisation charges, taxation and royalties were also higher and the net profit at £1,154,000 was only £129,000 larger than the previous year. The dividend of 1s. 3d. net declared for the year, which is the same as the previous year, absorbed £812,500.

Capital expenditure at the mine is likely to be heavy for some years and £350,000 was appropriated this year for this purpose. Of this amount, however, about £150,000 was spent during the year and only about £200,000 is available towards financing the future capital expenditure programme envisaged.

It is probable that some time will elapse after the commissioning of the Kariba hydro-electric scheme before power from this source can be made available at Broken Hill. Our own power supply from the Mulungushi and Lunsemfwa hydro-electric stations is fully committed at the present scale of operations, and during the intervening period there will be inevitable increases in the demand for power due to mining at greater depth and minor plant additions. Moreover, there are process improvements under consideration for which power may have to be secured.

The Consulting Engineers are therefore investigating the capital cost of increasing the generation capacity of the Lunsemfwa station by constructing a dam on this river and the installation of a third 6,000 kw generator.

Should it be decided to proceed with this scheme it is probable that an amount of about £1,200,000 will have to be found and the Company has therefore had discussions with the Broken Hill Municipality which has agreed to provide some of the capital sums and to draw power from the Company in the event of this scheme being undertaken.

PRIMARY OBJECT OF EXPANSIONS

While the primary object of these expansions is to safeguard the position until Kariba power becomes available, the proposed installations must not be considered as having an economic life which would end with the advent of Kariba power. The cost of energy from the extended plants is estimated to be very low and consequently the Company would continue to utilise its own generating resources to the full, supplementing them later from other sources as required.

The Directors have under consideration the

possibility of disposing of the Company's Iron Duke pyrites mine, which is situated in Southern Rhodesia some hundreds of miles from the Company's principal property. The production from the Iron Duke mine has hitherto been largely sold to the Northern Rhodesia copper mines, but recently this demand has fallen away and although other consumers of pyrites are expected to develop in the Federation your Directors are of the opinion that the capital tied up in this asset could be used to better advantage in helping to finance capital expenditure of direct benefit to the Broken Hill mine.

SALE OF BY-PRODUCTS

In addition it is anticipated that some profits will arise from the sale of by-products which have not previously featured in the Company's production programme. These comprise small quantities of cadmium and cement copper, it being profitable to treat the latter with copper at its present high price.

I must emphasise, however, that it will be necessary for some years to continue to appropriate fairly substantial sums from profits.

The Consulting Engineers, however, are not yet in a position to place their recommendations before the Board of Directors, as further investigations must be carried out at Lunsemfwa and metallurgical tests finalised before this can be done.

During the year, underground development and diamond drilling has brought in a large block of ore which can now be included in the ore reserves. The ore reserves, at 1,723,000 tons proved and 1,304,000 tons indicated, are 654,000 tons greater than at the end of the previous year.

Further ore reserves will probably be added from what is known as the "X" orebody on the 950 foot level, but so far insufficient data is available to enable an assessment to be made of the tonnage or grade in this area. The ore reserves do not include the surface stockpiles of silicate and other ores which will be treated over a period.

Copies of the annual report and accounts may be obtained from the head office, Kisumu, or from the transfer offices at 44 Main Street, Johannesburg, and 40 Holborn Viaduct, London, E.C.1.

FIAT

FIAT S.p.A.

(Turin, Italy)

BIG INCREASE IN OUTPUT AND SALES

The Annual General Meeting of the Fiat Company was held in Turin on April 27th, with Professor Dr Vittorio Valletta, Chairman and Managing Director, in the Chair. The following are details of the report presented by the Board of Directors:

The big increase in the Company's output in 1955 resulted in total sales to the value of Lit. 310,000 million, an increase of Lit. 35,000 million over 1954. This general increase reflects the drive of the Fiat labour force, and of the Company's organisation.

The production of motor vehicles (250,299 units in 1955) stands at present at a daily average of 1,000 units, a high level in European conditions, largely as a result of the great success of the small Model 600 car.

Fiat continues to produce its range of basic models: the 600, the 1100, the 1400, and the 1900—the last two with improvements and additional power. The new baby car, smaller even than the 600, which has been announced, is under construction, and is expected to go into production in 1957. Further 1955 production figures are 16,130 tractors, 517,549 tons of iron, steel and non-ferrous metal products, and diesel marine engines totalling 132,000 h.p. The types of aircraft produced by the Company are of international importance: the "F.86-K" jet plane, built in co-operation with the North American Aviation Inc., and the "G.82" and the "G.91," both jet aircraft of Fiat design.

The various Fiat plants are being greatly enlarged and modernised according to a consistent investment policy, aimed at promoting progress in production both technically and economically. A new "Mirafiori Sud" plant is in course of construction alongside the "Mirafiori" car factory.

The Company's present labour force amounts to 75,000, including about 60,000 manual workers. This is Italy's largest single body of industrial workers. In 1955 Fiat spent about Lit. 9,000 million on social welfare work. The recent Trade Union elections in the Company's plants have consolidated the victory of the free democratic Unions; productivity has increased; there were no strikes at Fiat plants during 1955.

The report, which points out the importance of Fiat's activities within the framework of the Italian economy, and underlines the constant progress being made, stresses the need for a progressively closer international co-operation, and outlines the new tasks which the atomic age is setting for industry generally, to increase output and work towards peace.

The surplus on the year's working was Lit. 12,656 million, and a dividend of Lit. 70 per share was declared. The increase of the Company's capital from Lit. 57,000 million to Lit. 76,000 million through the issue of new shares and bonds was also approved, and the report and balance sheet for 1955 were adopted unanimously.

GREAT BOULDER PROPRIETARY GOLD MINES

PROPOSED INCREASE OF CAPITAL MR A. M. COULSON'S SPEECH

The Sixtieth Annual General Meeting of Great Boulder Proprietary Gold Mines, Ltd., was held on May 9th in Melbourne.

Mr A. M. Coulson, Chairman and Managing Director, who presided, said: The Directors' Report and Statement of Accounts for the year ended December 31, 1955, reveal a position which is distinctly encouraging. The Net Profit for the year, after providing £62,419 for Depreciation and £174,504 for Development, amounted to £216,369, as compared with £206,955.

The Profit and Loss Appropriation Account shows that dividends totalling 1s. 3d. (Aust.) per stock unit have been paid; £40,000 transferred to General Reserve and £23,700 written off Mining Leases, the latter figure being the sum spent during the year on Hamilton Shaft.

TREATMENT AND DEVELOPMENT

473,288 tons of ore were treated for a recovery of 115,581 ounces of gold, both figures showing small increases compared with the previous year's results.

Development was not pushed so actively as during the previous year but results were up to expectations, and there are several promising areas still to be explored which it is hoped will open a large tonnage of new ore. Ore Reserves at 2,068,400 tons averaging 5.42 dwts are higher than last year both in tonnage and grade.

Increased wage margins to tradesmen granted by the State Arbitration Court, and a resumption of the quarterly cost-of-living adjustments in the basic wage, plus higher prices paid for mine stores, were responsible for an increase of 2s. 10d. per ton in Working Costs.

CAPITAL EXPENDITURE

Expenditure on capital account during the year totalled £105,773, and included the sinking of Hamilton Shaft a further 263 feet, the conversion of Main Shaft Winder to electric drive and the installation of a fourth roaster. Since 1948 the Company has spent approximately £800,000 on modernising and increasing the efficiency of the plant and installing an electric power station, and with the exception of £100,000 borrowed from Loloma (Fiji) Gold Mines N.L., the whole of this expenditure was met from the Company's own resources.

Funds are now required for a development programme which includes:

1. Sinking an internal shaft from 3,100 ft to 4,000 ft in the Edwards Shaft section to enable development of this area where depressed diamond drill bores down to 3,750 ft have intersected a number of ore seams of higher than average grade.
2. Deepening Hamilton Shaft to 3,250 ft and developing the lower levels of the Western leases where development adjacent to the Lake View boundary has given encouraging results.
3. Development of the southern end of the Eastern Lode system where there is a large area of virgin ground.
4. Establishment of a main haulage

system between Edwards and Hamilton shafts.

NEW CAPITAL ISSUE

To carry out this programme the Directors recommend that the authorised capital of the Company be increased to £350,000 sterling by the creation of 1 million shares of 2s. each, and a resolution to that effect will be submitted to an Extraordinary General Meeting. If carried, the 1 million new shares so created will be offered to existing stockholders at 8s. (English currency), i.e., a premium of 6s. per share, in the ratio of two shares for each five stock units held. This means that Australian stockholders will be required to pay 10s. (Australian currency) for each share taken up. It is expected that the necessary formalities will be completed in time for this to be done by next July.

I may mention that as far as can be seen the issue of this additional capital is not likely to cause the rate of dividend to fall below 1s. 3d. It may interest stockholders to know that since 1895 when the Company commenced operations, the mine has produced over 5 million ozs. of fine gold valued at £38 million, and dividends paid aggregate over £8 million.

In closing I would like to express the thanks of the Board to the General Manager, the executive staff and employees of the Company for their efforts during the year under review.

The report and accounts were adopted.

ASHANTI GOLDFIELDS CORPORATION

SATISFACTORY RESULTS MARRED BY GENERAL STRIKE

Presiding at the annual meeting of the Corporation held on May 16th in London, Major General Sir Edward L. Spears, Bart, KBE, CB, MC, FInstD (the Chairman) said that but for the fourteen weeks' general strike from November 20, 1955, to February 27, 1956, he would have a generally satisfactory report to make.

For the third year in succession, the tonnage treated was a record for the mine; and gold production in the year was the highest since the war. The technical position of the mine was very strong.

Ore reserves were sufficient for some years ahead, and there was promise of considerable new tonnage being developed.

Commenting on the strike, the Chairman said that on all the mines it had brought nothing but hardship to the workers and loss to the industry. Correspondence which had passed between the Union Headquarters and the Chamber of Mines since the strike ended entitled them to entertain some hope that good relations would be restored and that there would be no recurrence of that kind of trouble.

Referring to the political situation on the Gold Coast, the Chairman said he thought all parties recognised the vital part the mines played in the economy of the country, and he did not believe that any party had any desire to alter or interfere with the way the industry was owned and run.

The Chairman concluded: The British Government has still an important part to play and I think that, wisely handled, a satisfactory settlement can be reached provided firmness is displayed and our clear intention not to allow anything approaching civil war to take place is asserted.

The report was adopted.

LUNUVA (CEYLON) TEA & RUBBER ESTATES

The annual general meeting of The Lunuva (Ceylon) Tea & Rubber Estates Limited will be held on June 14th in London. The following are extracts from the circulated address of the Chairman, Mr H. W. Horner:

The results for the past year are substantially better than promised by the depressed market for tea about this time last year, when the average auction price of Ceylon tea in London had fallen to 4s. 1d. a lb at the end of June from 7s. 4d. in January. Rapid recovery ensued and for the greater part of the second half of the year the market was again on a more normal basis.

The lower prices which our teas have realised, as compared with the previous year, have been compensated to some extent by a total crop in excess of that estimated. Improved prices realised for rubber have made a valuable addition to profits.

The year's profit before taxation is £330,667, as compared with £729,565 for 1954. The net amount of tax is £180,182 and, after adjustment has been made in respect of tax for previous years, the amount carried to appropriation account is £156,033. The directors recommend a final dividend of 14 per cent, making 20 per cent for the year.

For the current year we estimate to produce about 9 million pounds of tea and 1½ million pounds of rubber at costs not significantly exceeding those of 1955; Market prospects continue good, and growers of Ceylon tea of the types produced by this company's estates can look forward to a satisfactory season.

AMALGAMATED BANKET AREAS

The twentieth annual general meeting of Amalgamated Banket Areas, Limited, was held on May 23rd in London. Mr W. J. C. Richards (a Director) presided.

The following is an extract from the Statement of the Chairman, Major General W. W. Richards, CB, CBE, MC, circulated with the Report and Accounts for the year ended September 30th, 1955.

The profit of £119,405 was £78,954 higher than that of the previous year. Dividends aggregating 10 per cent, less income tax, absorbed £162,275; leaving a balance of £85,683, which it is proposed to carry forward.

It is satisfactory to note—

- (a) The record tonnage milled, at 961,662 tons, exceeded that of the previous year by 131,042 tons. There was a small drop in the grade of the ore treated from 3.390 dwts to 3.292 dwts per ton. The gold recovered, at 149,884 ounces, was up by 15,442 ounces.
- (b) The overall cost per ton milled, at 30s. 2d. per ton, was 2s. 9d. per ton lower than for the previous year.

ORE RESERVES

The total ore reserves as at September 30, 1955, were computed at 2,895,428 tons, as follows:

	Tons	Grade dwts	Width inches
Underground	Ore 1,657,188	5.621	40.57
Surface	Ore 1,238,240	1.801	121.1

The report and accounts were adopted.

APPOINTMENTS THE NEW SOUTH WALES UNIVERSITY OF TECHNOLOGY, SYDNEY

VACANCIES FOR LECTURERS IN ECONOMICS.—The University of Technology invites applications for appointment to the position of Lecturer in Economics in the newly established Faculty of Commerce. Salary £A1,231 range £A1,881 per annum, commencing salary according to qualifications and experience. Applicants should possess an honours degree or equivalent qualifications and university lecturing experience would be an advantage.

Opportunities exist for specialisation in the fields of statistics, the Theory of the Firm, Labour Economics, Shipping, and the Theory of the Firm. Successful applicants will be eligible, subject to medical examination, to contribute to the New South Wales State Superannuation Fund. Shipping fares to Sydney of appointees and their families will be paid. Five copies of applications (including the names of two referees) should be lodged with the Agent General for New South Wales, 56, Strand, London, W.C.2, and a copy forwarded by airmail to the Registrar, New South Wales University of Technology, Box 1, Post Office Kensington, New South Wales, Australia, in an envelope marked "University Appointment," not later than June 9, 1956.

MAKERERE COLLEGE, THE UNIVERSITY COLLEGE OF EAST AFRICA

Applications are invited for the following appointments in the East African Institute of Social Research:—
(a) Senior Research Officer in Economics.
(b) Senior Research Fellow in Economics.
Appointments will be on contract for 2½ years. Salary (a), £1,550 per annum, plus 10 per cent c.o.a. (b), between £960 and £1,330 per annum, plus 10 per cent c.o.a. Entry will be determined by qualifications and experience. Child allowance, £50 per annum per child (maximum £150 per annum). F.S.S.U. Passages (including family) paid on appointment and termination. Accommodation at reasonable rent while at College. Field equipment provided.
Detailed applications (six copies), naming three referees and outlining research interests, by June 21, 1956, to the Secretary, Makerere College, Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

GENERAL MANAGER

SCHEME FOR NATIONALISATION OF OMNIBUS TRANSPORT IN CEYLON.—The Government of Ceylon is urgently in need of the services of a General Manager to organise a scheme of nationalisation of the omnibus services in Ceylon and launch the undertaking. The applicant should have had considerable experience in a managerial capacity of the operation, control and management of an omnibus transport undertaking with a fleet of about 3,500 buses.
2. The selected candidate should be a person of outstanding ability, capable of preparing and putting into execution a plan to take over the services now provided by eighty private operators, and of effecting the transfer in a smooth, efficient and orderly manner.
Background information on the problems involved will be supplied by the Ceylon High Commission, London, on request.
3. Remuneration, leave, passages and other terms and conditions of employment will be determined by negotiation with the Ceylon Government through the High Commissioner in the United Kingdom.
4. Applications should be addressed to the High Commissioner for Ceylon in the United Kingdom, 13 Hyde Park Gardens, London, W.2, and should contain the fullest possible information regarding the qualifications and experience of the applicant.
5. Applications close on Friday, June 8, 1956, at 12 noon.

AN OUTSTANDING OPPORTUNITY

A well-known public company manufacturing world-wide lines of household goods is seeking its head office in London, is looking for an outstanding man on the sales side.
He will initially occupy an executive position in charge of a new sales division and will be directly responsible to the Board. He should be between 35 and 45 and should have already occupied positions as General Sales Manager or preferably Sales Director of a nationally known company; alternatively he might have occupied a senior position in a leading advertising agency. He should be a proved leader of men, have imagination, drive and administrative ability and be able to assume wide responsibility. A thorough knowledge of advertising and modern promotion methods is essential.
No one without these qualifications should apply. A substantial salary will be paid to the right man. Applications (preferably typewritten) which will be regarded as strictly confidential should contain full details of education, experience, qualifications and present salary and should be sent to the Managing Director.—Box 428.

A VERY well-known Company manufacturing canned foods invites applications for an important executive appointment at top management level, to take charge of materials buying on a world-wide basis.
The successful candidate will be one who has had very extensive experience in the buying of meat and cereals on an international scale and who has proven ability in taking out and opening up new sources of supply.
A knowledge of statistics and their application to forecasting is desirable, as well as acquaintance with methods of handling, refrigeration and storage of meats.
This is a most important appointment that will involve travel of large scale contracts at top level all over the world, and will involve considerable travel overseas. The initial salary is of secondary importance to securing the right man but figure less than £5,000 per annum will be paid, together with exceptional additional benefits including non-contributory Pension, Life Assurance, etc. The Company's employees are aware of this advertisement. Applications, giving a chronological summary of education, career and qualifications should be addressed to Box 127, marked "Confidential to Managing Director."

SENIOR STATISTICAL CLERK (male or female) required for Statistics Department of Coventry Engineering firm. Some experience of Market Analysis desirable, a degree in Economics an advantage. Interesting permanent position. Pension scheme.—Applications, with full particulars, to Box 425.

UNIVERSITY OF GLASGOW

TEMPORARY SENIOR RESEARCH WORKER.—Applications are invited for the post of Temporary Senior Research Worker in a study of community and associational developments in new housing areas in Glasgow. The appointment will be for two years at a salary in the range £1,100 to £1,200 per annum. Applications (six copies) should be lodged, not later than June 30, 1956, with the undersigned, from whom further particulars may be obtained.

HUTCHESON, UNIVERSITY COLLEGE OF NORTH STAFFORDSHIRE

Applications are invited for the post of Assistant Lecturer or Lecturer in Social Statistics. Salary scale £600 x £25—£650 (Assistant Lecturer) or £650 x £50—£1,350 (Lecturer). F.S.S.U. and children's allowances. Applications should reach the Registrar, The College, Keele, Staffs, from whom further particulars and application forms may be obtained, as soon as possible.

THE MARLEY TILE CO. LTD.

REQUIRE

A GENERAL MANAGER

for one of the Dominions. Must have had a very wide experience in running a large manufacturing business on his own. Must be prepared to live in the Dominion and take sole charge of business there. Experience in Plastics an advantage. A first-class salary and a real opportunity for the right person. Please write, giving age, full details of education, qualifications and experience, to The Managing Director, THE MARLEY TILE COMPANY LIMITED, 15, Abchurch Lane, London, E.C.4.

Only applicants selected for interview will be notified. INTERNATIONAL PHARMACEUTICAL AND Cosmetic Organisation needs potential manager for Japanese operation. Must have had sales experience in the Far East, with good administrative and organisational ability. This top spot needs man familiar with Oriental temperament but possessing English-type personality, imagination and drive. Able delegate responsibility to local staff, but command respect and get job done. Salary and incentive basis. Age 35-45, preferably married, who wants to live in Japan. Fluent Japanese essential. Replies will be treated in strict confidence.—Reply Box 421.

SALES MANAGER required by the English and Scottish Joint Co-operative Wholesale Society, Ltd., to develop their present U.K. selling organisation for tea, coffee and chocolate. The appointment is a major one, involving direct responsibility to the Board, and offers an excellent opportunity to a fully qualified man, experienced in nation-wide distribution. Knowledge of the trades involved is of less importance than proved ability in the sales field.—Apply to the Secretary and Executive Officer of the Society at 100, Leman Street, London, E.1.
SALES ADMINISTRATION OFFICER at Bristol Branch of progressive Company. Applications, giving fullest details, are invited from young men with drive, initiative, analytical minds and co-operative personalities. Duties include sales planning, correspondence, etc.—Apply to: Personnel Manager, Black & Decker Ltd., Harmondsworth, Middlesex.

FURNISHING FABRICS

COURTAULDS LIMITED wish to appoint a Senior Executive to take full charge of the development of medium and heavy furnishing fabrics in their Textile Division.
A sound technical background and knowledge of the production of these fabrics, which are principally woven on Jacquards, is essential, but it should be combined with considerable experience of colour, design, market trends and foreign goods.
This is a senior appointment (based on London) for which a high standard of personal ability and achievement in this field of the textile industry is required, and will carry a salary commensurate with the responsibility.
Candidates should write for a detailed form of application to the Director of Personnel, Courtaulds Limited, 16 St. Martin's Lane, London, E.C.1, quoting reference number E.73.

AN APPOINTMENT with unusual prospects is to be made in the late summer in a prominent industrial organisation, with headquarters in London and activities throughout the United Kingdom. The position will call for a man with a University Degree, a good experience of industrial administration, shop-floor conditions, and the ability, after special training, to direct production work in industry. Age 28 to 35, approximately. There is a chance of short periods of service overseas later, but this need be optional. Earnings will rise to about £1,500 after a four-month training period, and £3,500 will be reached within 6-10 years. Pension, Life Assurance and full range of employee benefits. All details will be given at interview in London, Manchester or Glasgow, as convenient to applicants.—Please write, with tabulated details of age, education and experience, to Box 422.

NATIONAL COAL BOARD—N.W. DIVISION

Applications are invited for a superannuable appointment in the Organisation and Methods Branch at Divisional Headquarters in Manchester. The work involves the conduct of O. and M. studies concerned with the organisation of work, methods, and staffing at Colliery, Area and Divisional Offices. Some travelling within Lancashire and North Wales will be involved. Applicants should have a minimum of 10 years' specialised experience relating to the work of this post, and preferably a recognised professional qualification or University degree, and experience in a position of responsibility in a large organisation. Salary will be within the scale £1,085 to £3,475 per annum.—Applications, stating age, education, qualifications and experience, to Staff Director, 40 Portland Street, Manchester, 1, within seven days.

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THE ECONOMIST INTELLIGENCE UNIT LIMITED is expanding its research departments, and invites applications from men aged 26 to 35. Applicants must have good academic qualifications, and should have had experience in industry, agriculture, commerce or finance; knowledge of foreign languages an advantage. Starting salary according to qualifications, but not less than £500 per annum. Please write fully to "Research," 22 Ryder Street, St. James's, London, S.W.1.

A GROUP of Investment Trust Companies in the City of London has a vacancy for a YOUNG MAN, aged between 25 and 30, who is interested in investment. An Accountancy or Secretarial qualification would be desirable but not essential, providing applicant has sufficient other experience of work of similar character, i.e., in a Banking House or Stockbroker's Office. Starting salary £1,000 to £1,250. Pension Fund, etc.—Write Box 429.

THE ALEXANDRIA WATER COMPANY LIMITED

EXTRAORDINARY GENERAL MEETING.—Notice is hereby given that an Extraordinary General Meeting of the shareholders of the above-named Company will be held at the Company's Offices, 61, Avenue du 1er, Alexandria, on Wednesday, June 20, 1956, at half past four in the afternoon for the purpose of considering and, if thought fit, passing the subjoined Resolution as a Special Resolution and, if the requisite quorum is not present, the Meeting will stand adjourned to the same day in the next week at the same time and place, that is to say, on Wednesday, June 27, 1956, at half past four in the afternoon.

RESOLUTION.—That Article 72 of the Articles of Association of the Company be altered by deleting the final phrase of the existing Article 72 reading as follows: "taken into account." "Votes for intermediate numbers of shares in any one group will be calculated on the scale applied in that group so that fractions of a vote being less than or equal to one half shall be disregarded, and fractions of a vote being greater than one half shall constitute one vote." and by substituting therefor the following: "Intermediate numbers of shares in any one of the above-mentioned groups will not be taken into account and will give no right to any additional vote or votes." Holders of share warrants to bearer desiring to attend or to be represented at the Meeting must deposit their share warrants in London before 10 a.m. on Wednesday, June 14, 1956, until after the Meeting, at the Midland Bank Limited, Overseas Branch, 122 Old Broad Street, London, E.C.2, or at the National Bank of Egypt, Alexandria, or at some other approved bank in London or Alexandria.

A Member of the Company is entitled to appoint a proxy to attend and vote at the Meeting in his stead and, any proxy so appointed need not be a Member of the Company.

Dated, Alexandria, Egypt, May 23, 1956.
By Order of the Board,
ALEX. I. BENACHI,
Chairman and Administrator-Délégué.

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THOSE interested in investing in manufacturing concerns are invited to consider personal advisory service.—Box 426.

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METROPOLITAN COLLEGE, ST. ALBANS or call at 30 Queen Victoria Street, London, E.C.4.

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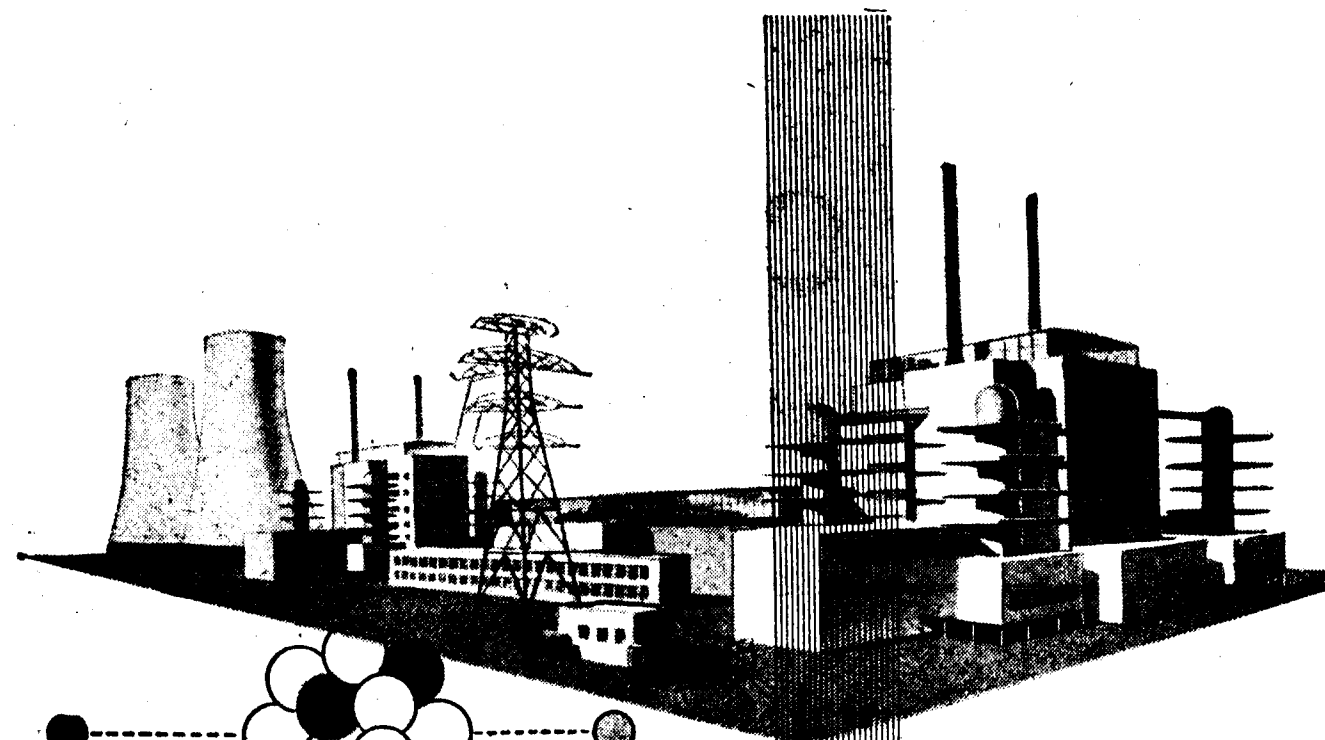
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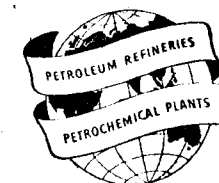
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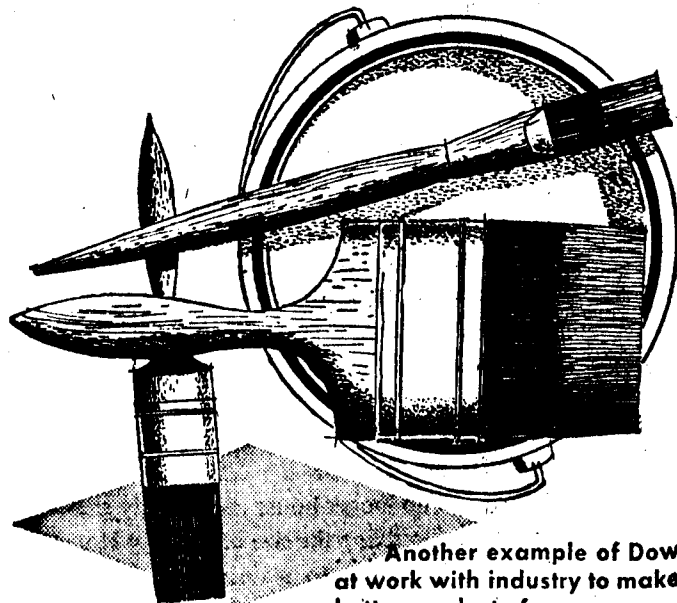
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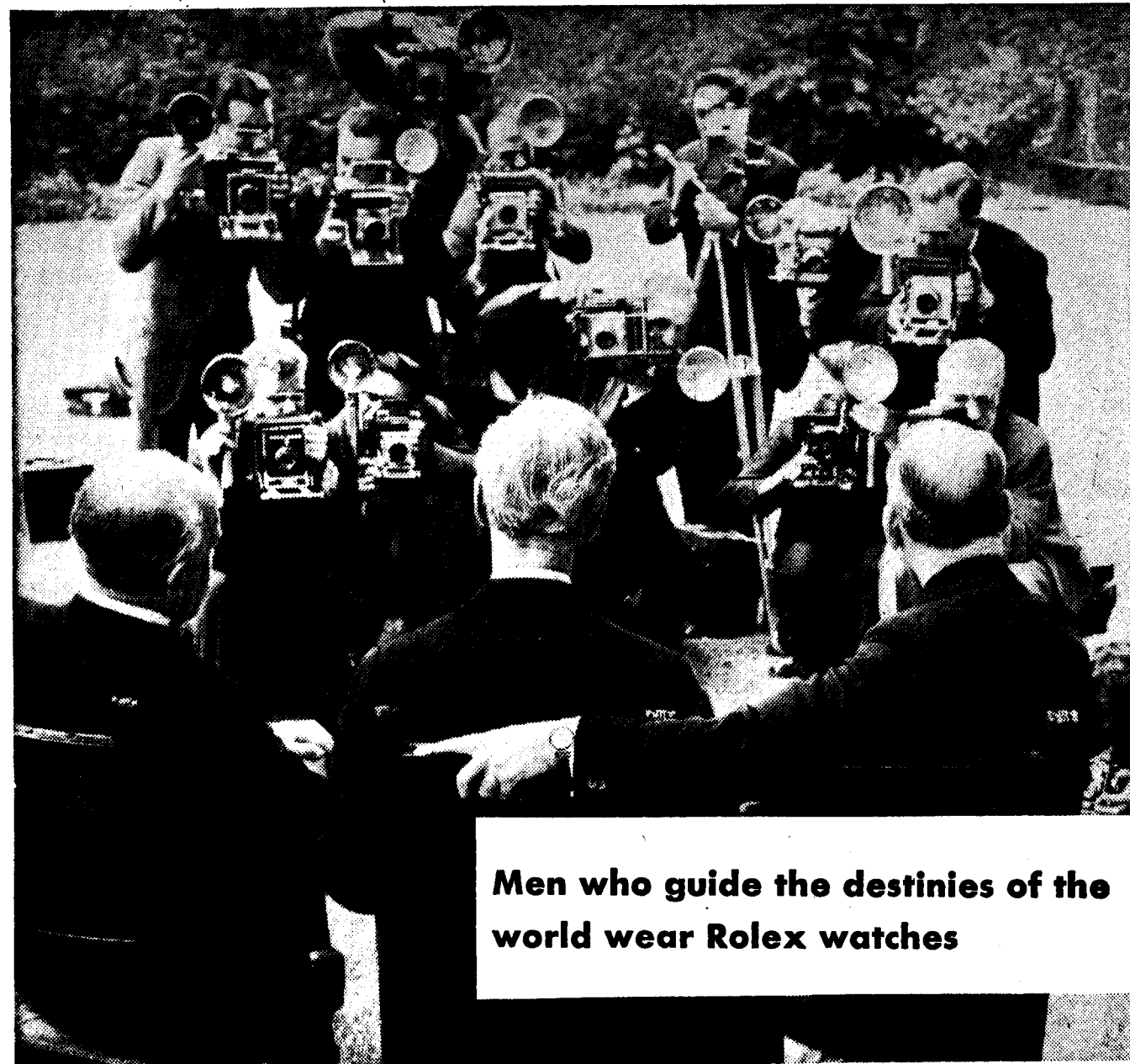
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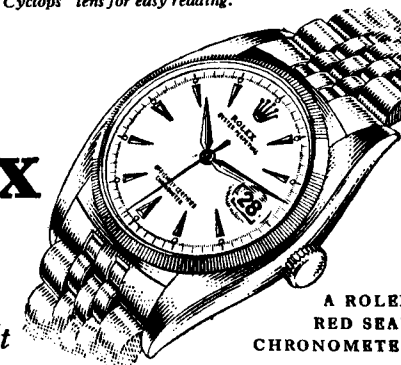
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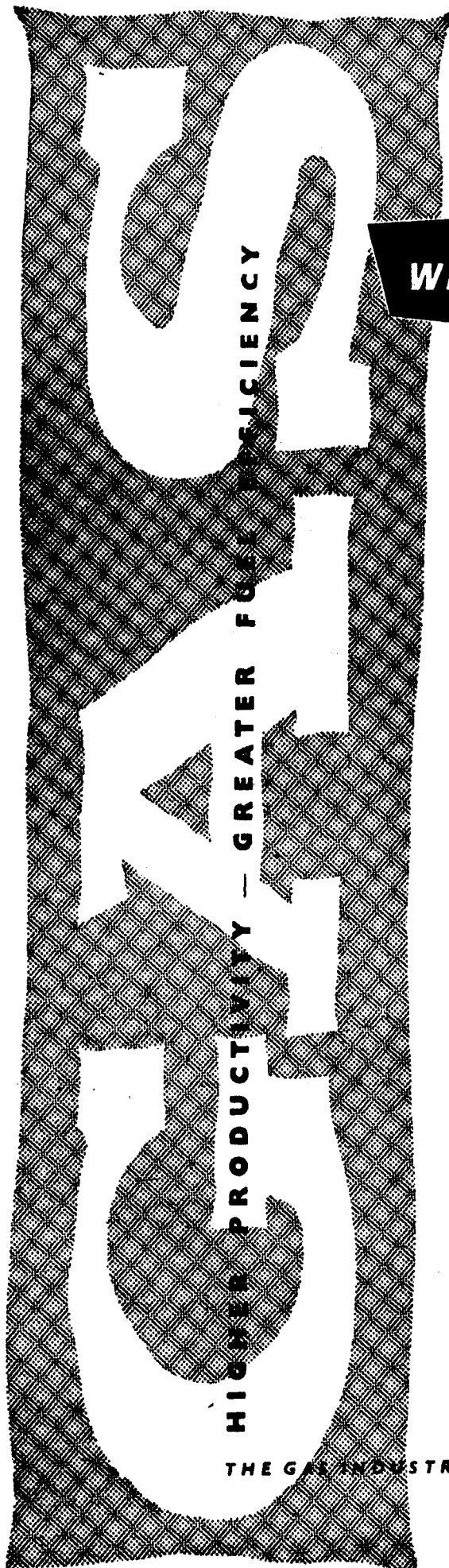
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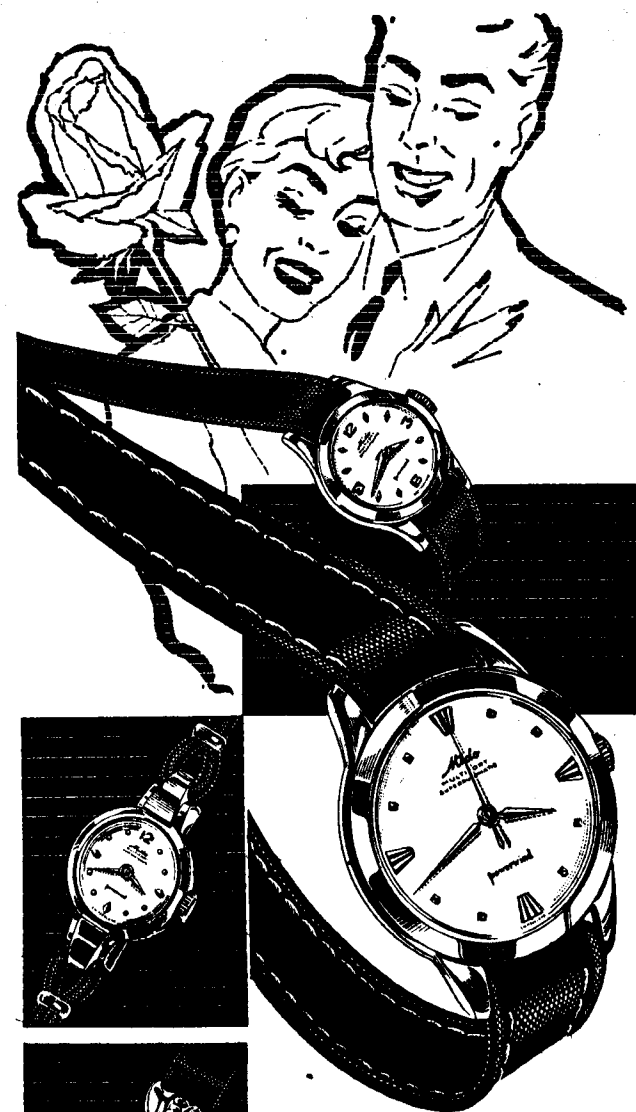
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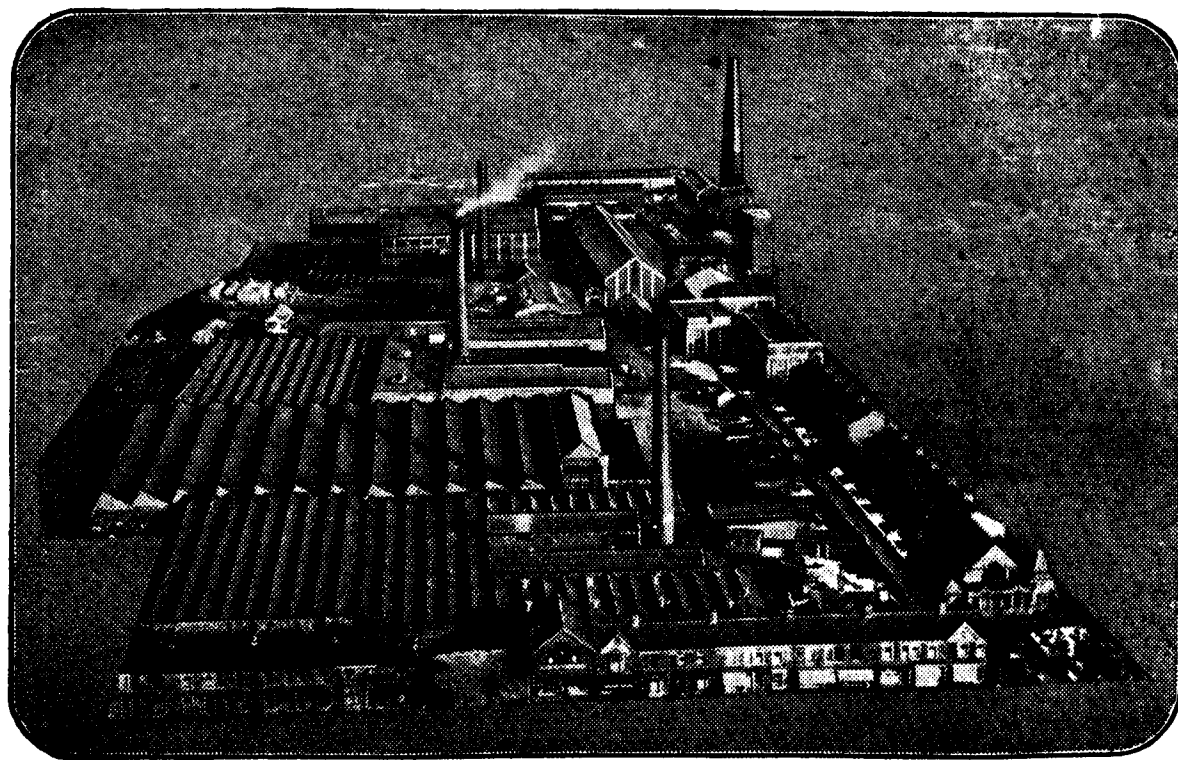
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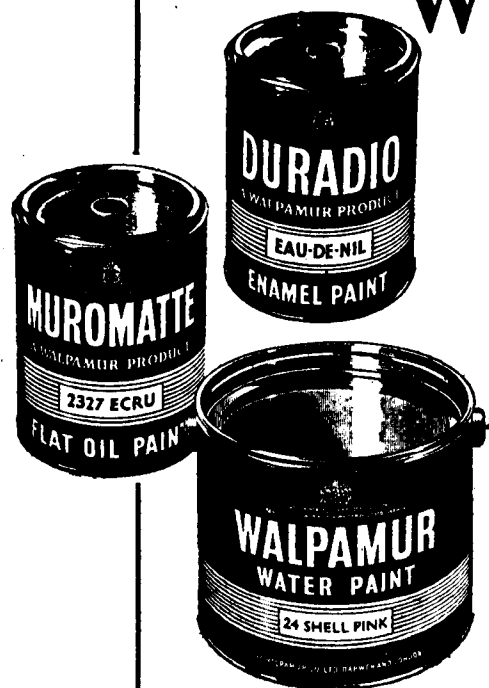
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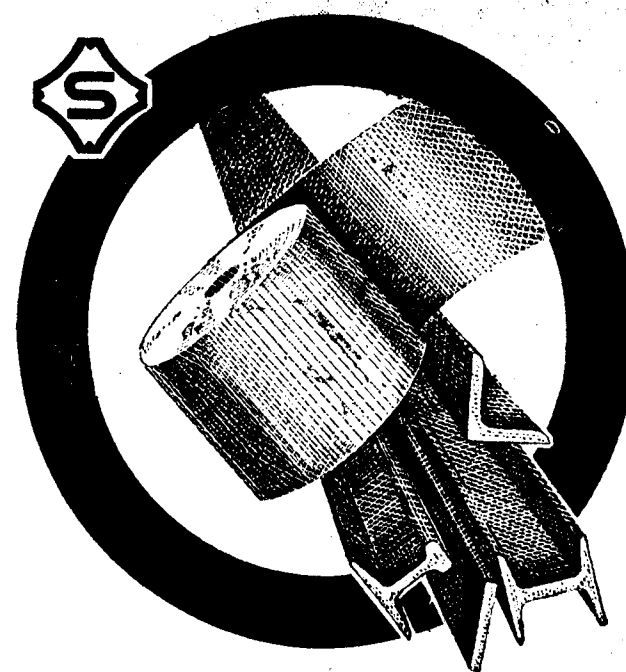
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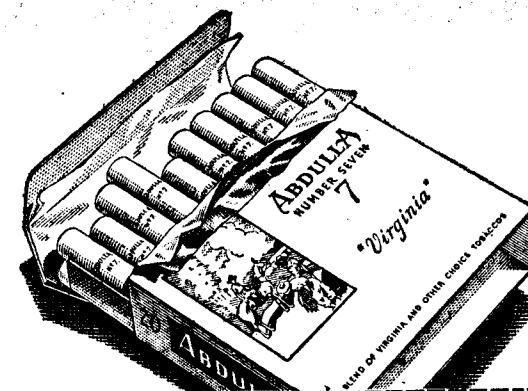


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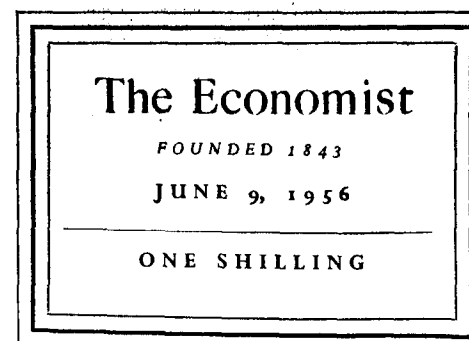
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A Daniel for Defence?

"SO far as I can judge the future," said the Prime Minister at Norwich last week, "the more immediate threat to our country's existence is competition in export markets rather than a world war." Once again, it must be suggested, Sir Anthony seems to have been whispering words of some moment. He was almost certainly foreshadowing the Government's hope of a substantial long-term cut in Britain's defence programme.

This hope of a long-term cut must be sharply distinguished from the settled programme of immediate economies. Those immediate economies—the £100 million of civil and military cuts promised for this financial year—are now being painfully worked out behind the scenes; the closing of Scapa Flow seems to be one example of these pinchpenny cuts, and Mr Macmillan is expected to announce a tidy package of others next month. The longer-term, larger but very much vaguer project arises from a quite separate question. Can Britain afford, the Government is asking itself, to spend £1,600 million a year on defence and £2,500 million a year on the social services, not only now but for ever? The answer it wants to give is that although it is "politically impossible" to degut the social services, it may at last be "politically realistic" to consider reorganisation of defence on a significantly cheaper basis. To that end it apparently hopes that, after detailed and forward-looking study, it might be able to announce a fairly drastic reorganisation of the defence programme next autumn or winter, even although it would be a reorganisation the effects of which would not work through into the economy for another one to three years.

It is not the purpose of this article to discuss the wisdom of this hope, but there are certain preliminary things that obviously need to be said about it. One's immediate reaction is that, because of the circumstances under which the hope has been conceived, it could be very unwise indeed. There are some important traps to be avoided. It is not true to say that Britain is faced with either military or economic competition; it is faced with both. There is nothing in the new balance of forces in the world to justify any dismantling of western defences, however much they may have to be remodelled to meet modern needs. The primary test of any changes in the defence programme must be whether they make Britain stronger or weaker, in concert with its allies. Any reappraisal of the defence programme ought to be based upon a calculated assessment, not of the "immediacy" of the military as against the economic threat, but of the military threat itself. The Government has to judge what military contingencies we and our allies have to be ready to meet, and to decide what forces, and what kind of armament, are together required. There must be a defence policy, based on military not economic needs. When this has been plainly stated, and only when it has, discussion can turn to a separate but equally pressing problem: the mechanism through which the Government may seek to arrive at a

decision, both in broad outline and in detail as between the different arms and services. If the Government is going to carry out the right sort of reappraisal—based upon something more than the undoubted conveniences of parsimony at this time—it is very important that it should also get the mechanism for re-appraising right.

There are three possible mechanisms. One is after open and extensive public debate of present and future service roles and (possible) anachronisms. That, perhaps to the embarrassment of the Administration, seems to be the American way—with press leakages to help it. The system of a newspaper war between the army and air force, with generals deliberately handing out “internal memoranda” that accuse airmen of arrogantly wasting the taxpayer’s money, may seem shocking to British serving officers; yet the fact remains that the press—and through it Congress—is now much better equipped to debate the long-term problem of defence appropriations in America than are the press and Parliament in this country. In Britain, however, an extension of this system is inconceivable. The struggle between the services, though at its roots no less bitter than in America, will go on behind the scenes and therefore (more or less) in private.

★

The second, and more British, way in which the possibilities of a new look in defence may be hammered out is by intra-Cabinet struggle—a friendly see-saw between two schools, who might conveniently and respectively be called the “economisers” and the defenders of defence. The economisers, in this instance, will presumably be led by Mr Macmillan, who has publicly styled himself a “poacher turned game-keeper”; the political defenders of defence will include not only the individual service Ministers but also the Minister of Defence himself. The likely agenda for the struggles will probably be for the Minister of Defence, briefed by the individual services, to go before some Cabinet committee to say that an annual expenditure of £1,600 million is the irreplaceable minimum for security; for the members of the Cabinet committee, who see the relevant papers only in their spare time between running their own departments, to say that a cut of £x million is economically essential and to suggest ways in which it might be effected; and for the Minister then to shuffle back and forth between the Cabinet and the service chiefs until some compromise is reached.

The more one ruminates on this system, the working of which must depend very largely on the strength of certain personalities at certain particular meetings instead of through the length of their working day, the more one doubts its efficacy. The third and surely better way would be to centralise attempts at reorganisation in the hands of the Minister of Defence himself—who should, however, be initially associated neither with the school of “economisers” nor with that of the

“defenders of defence.” It may be that, working full time on the job, he would find that the long-term cuts of which the Government dreams are quite inconsistent with security; it may be, on the contrary, that he would achieve bigger economies than the pressure of Mr Macmillan and Sir Anthony at particular and scattered meetings is likely to do. But, whichever way his decision lay, it would surely have more chance of being the right one than any compromise arrived at under the system of group bargaining. The argument that is often entered against this proposal—that an impossible situation arises if a Minister of Defence is expected to be constantly at loggerheads with his Admirals, Generals and Air Marshals—is not valid. Aggrieved Admirals, Generals and Air Marshals can be made to toe the line; they do not go on strike; and individually they are replaceable in their office.

★

The difficulty in the way of this third mechanism is, quite frankly, the tradition of the Ministry of Defence, as established over the last five years. Lord Alexander set the tone for a Conservative Minister of Defence to be a defender of defence; in his day, that tone was probably needed. Mr Macmillan—the self-confessed “poacher”—carried on the tradition; but he was only holding the portfolio while under training as Secretary of State for Foreign Affairs. Mr Selwyn Lloyd, although his tenure was also cut short, broke some way from the tradition; he will go down to history as the man who, single-handed, abolished the British battleship. The present Minister of Defence is Sir Walter Monckton.

It is inevitable that the argument should come down to personalities here. But that argument can perhaps best be framed in the form of a question. Into which of two roles might Sir Walter be supposed to fit more easily? As an arbitrator seeking to effect a friendly compromise (both between the individual services and within the Cabinet), with the minimum of ill will but also the minimum of new thought among all concerned? Or as a tough Daniel come to the defence dilemma, scorning all compromise in the search for truth, eager (as one Tory has put it) to do battle against prejudice in the Navy, stupidity in the Army, and arrogance in the RAF—if, of course, he should find, on close examination, that those often-alleged defects do in fact exist? The implication is obvious. Sir Walter has great talents and virtues, which have been of signal service to the country in the past and can continue to be so in the future. But, if the Prime Minister’s speech at Norwich last week presaged what one thinks it presaged, and despite the disadvantage of yet another change in this key office, the £1,600 million question must be asked. Might it not be better if Sir Walter were to play out in some other department the last acts of that long and mysterious morality play which is now universally known in Whitehall as *Waiting for Goddard*?

India and Pakistan

NO two countries need to co-exist in peace more than India and Pakistan. Free Asia’s two greatest states can enjoy neither freedom nor peace except in common. For each there is no more vital interest than that the other should go forward in stability, no delusion more fatal than the idea of profiting if the other should founder. In both Delhi and Karachi there are perceptive men who know this; but today their voices are almost drowned by a shrill clamour. Relations between the two countries have worsened in the past twelve months to a degree that is not fully understood either in the West or, it may be added, in the two republics themselves.

The political leaders and press of India have taken keen offence at Pakistan’s adherence to the Baghdad defence pact. Those of Pakistan have asserted their claim to Kashmir with mounting anger ever since the Soviet rulers visited Srinagar and proclaimed it to be unconditionally Indian property. This month’s Commonwealth conference will be clouded by the prospect of Pakistan calling on the Security Council to debate Kashmir once more, and by the new harshness of the Indian attitude on Kashmir. Recent border clashes in both east and west have helped to heighten the tension. And in the last few months Hindus have been pouring out of East Pakistan in distressing numbers, which reached a peak of 55,000 in March.

All but the most responsible politicians and newspapers in each country have accompanied these events with a high-pitched antiphonal chorus of abuse. An outsider might be forgiven for thinking the two nations on the brink of war. Mercifully, he would be wrong. Their antagonism is by no means as taut as that between Israel and its neighbours. During May they were able to confer quietly in Delhi about financial issues and in Dacca about the Hindu flight from East Bengal—two meetings which revealed that there is still on both sides a submerged current of conciliation. But the operative word is “still.” The present danger is not of war, but of a drift into final irreconcilability.

In commenting on this sad situation, Britons should be cautious, for attempts to be helpful are liable to be branded as condescension. Yet there is a plain duty for those who wish both India and Pakistan well to analyse their problems in terms of common sense, and to put forward possible solutions. Only the

communist powers stand to gain from playing them off against each other.

There is a deal of rubble for the bulldozer of common sense to clear away. In Britain and in the West generally, there has been a tendency to present a false choice—between automatically backing Pakistan, as an ally, against India and automatically backing India against Pakistan because so much depends on India’s courageous effort to overcome poverty by democratic methods. It is vital to avoid such partisanship, for the first interest of each country is to live in friendship with the other. Again, no sensible Indian should argue that Pakistan’s decision to align itself defensively with other nations against pressure from the north sets

up a barrier to co-existence; neutral Sweden enjoys intimate friendship with Norway and Denmark, both members of the North Atlantic alliance. Nor should any sensible Pakistani regard as “betrayal” the refusal of his country’s allies to endorse its claims against India. If the South East Asian treaty were mis-

construed in this way, Pakistan in turn would, for example, have to side wholeheartedly with France over North Africa.

Above all, good sense dictates that if the two republics are to get along together they will have to stop excoriating old wrongs. It is obviously too much to expect that the injustices and bestialities of 1947 should already be forgotten; but the public men and journalists who dwell on them for political purposes are acting against their countries’ interests. Neither India nor Pakistan—nor, indeed, Britain—can disclaim a responsibility for those tragic events, and each public evocation of them merely diminishes the prospects of reconciliation. What is required is more attention to the future and less to the past. This is nowhere more true than in Kashmir.

Present realities and future needs make both governments’ attitudes to Kashmir untenable. India’s claim that the four million Kashmiris have freely chosen to be ruled from Delhi does not stand up to examination. A legalistic attitude ironically akin to the Portuguese position on Goa has cost India good will throughout free Asia as well as in other continents. Pakistan’s insistence that Kashmir’s diverse inhabitants must choose *en bloc* between Delhi and Karachi has also been lacking in reality. Jammu and Ladakh have as little wish to join



Pakistan as the north-western areas have to join India. There is surely everything to be said for keeping the number of people involved in any final settlement down to the minimum. Common sense suggests that only the inhabitants of the Jhelum valley should be asked to vote freely on their own future. It also suggests that, after the bitter conflicts of the past decade, they should not be confined to opting for India or Pakistan. Why should they not be allowed—at least in the first instance—to choose local autonomy, and try to achieve self-sufficiency by recovering their natural trade link with Pakistan while retaining Indian tourist traffic?

Any such solution would require both India and Pakistan to modify their claims. For India, however, it would also mean relinquishing its military hold on the valley. But two points arise here to which India seems to have given little thought as yet. First, if—as it maintains—the valley Kashmiris have freely accepted its rule already, India can lose nothing of substance and will gain much in moral terms if it lets them freely demonstrate that acceptance to the world. Secondly—supposing that the vote goes the other way—is the retention of this charming but remote valley worth the frightful price that India is paying for it?

That price seems never to have been fully totted up in Delhi. It is not just a matter of subsidising a rickety regime in a state arbitrarily split across its economic grain, and of maintaining expensive armed forces out on a strategically irrelevant limb. There is a less easily measured but vastly bigger debit item: the loss to India not only of Pakistan's friendship but also of Pakistan's internal stability—which India ought to cherish beyond rubies.

For what is it that drives India to spend on arms sums that might decide the success or failure of its great economic plans? It is not fear of a cold-blooded, full scale invasion from Pakistan. The Pakistanis, out-

numbered five to one, lacking in basic economic resources and communications, sundered by a thousand miles of Indian territory, are simply not a contender in such a fight, with or without American defence aid. India knows this, and knows that the Pakistanis know it, too. What India fears is that wild men might gain power in Pakistan and might, if only to divert attention from their incompetence, make a sudden thrust at Srinagar or some such target, hoping for a cheap victory but in fact embroiling the two republics fatally.

Yet India's present Kashmir policy is exactly calculated to increase the risk, today still negligible, of this occurring. As long as the Srinagar valley is blatantly denied the political freedom that India itself enjoys, the cry of "liberation" can always be raised in Pakistan, and the voice of sanity drowned. Kashmir does not account for all the vendettas and scrambling for places that disfigure Pakistan's parliamentary life, but it does make these political ills almost impossible to cure. And who will doubt that the recent Hindu exodus from East Bengal reflects the fact that, against the background of tension provided by Kashmir, local Muslim bullies have felt free to strike or threaten without much fear of retribution from their authorities?

Indians may feel that they are being asked to lean over backwards in dealing with Pakistan. So they are. That is always the way when a strong state and a smaller one live cheek by jowl. One is tempted to beg Indians to consider the sad past and the cordial present relations between the United Kingdom and the Irish Republic. No Dubliner today can be heard complaining bitterly that his state is not really accepted as a sovereign entity by its big neighbour. Yet countless Pakistanis feel exactly that way; and many Indians still give them good ground for doing so. Every hint that "big brother" is losing patience and that a spanking may be imminent exacerbates this feeling, and increases the very same risk that India wishes to avoid.

Labour at the First Ditch

WITHIN the next two weeks the Labour Party will put out the first of its promised "ten statements on policy," on the subject of housing. A second statement, on the freedom of the individual, will appear at the same time, but it is the housing manifesto that deserves attention, for it bids fair to exemplify most of the dangers of a party getting study groups to think up a policy for it. The contribution of the housing study group to Labour's "new and up-to-date thinking" has apparently been to recommend that the party should be tied more closely to the doctrine of "municipalising" rented property. This is about as up-to-date as a periwig, and as representative of new thinking as a parrot.

The public will inevitably interpret a call for municipalisation as a sign that Labour has reverted to its

most reactionary instincts of the last twenty years. Faced by a social problem, Labour has stretched for the old and unpopular concept of public ownership—in much the same way as Field Marshal Goering, whenever anybody mentioned culture, was wont to reach for his gun. Why? The Tories will have a ready and gleeful answer to that question. They will say that the proposal is a surrender to the old-fashioned left. Although public ownership (whether under municipalisation or any other name) is a scarecrow to the voters whom Mr Gaitskell most needs to woo, it is an unguent to the party malcontents whom he most needs to placate. There is something in this Tory argument. But it is not by any means the whole truth. The proposal for municipalisation does not really spring from a heroic defence of (or cowardly surrender to) old-fashioned socialist

principles. It springs from something much more complicated and muddled. To probe it, it is necessary, although somewhat distasteful, to probe the Labour Party's subconscious.

At the back of its mind, Labour knows that those private rents that are at present restricted have got to be allowed to rise. That is a credit to its common sense. But it does not like this horrid knowledge. So it has seized upon this concept of municipalisation—this word that proclaims that rents will go to local councils instead of to greedy landlords and landladies—as a counterpane to cover it up. But cover from whom? From the Labour leaders themselves, so that, once in office, they would not let rents rise by as much as they ought? In that case, the project is bad statesmanship. Or cover from the public, in the belief that tenants will be more willing to pay higher rents to local councils than to private landlords and landladies? In that case, the project is bad psychology and worse politics. Labour will then be philanthropically setting up an Aunt Sally to gather in the extra halfpence, in a way which will ensure that its already unpopular concept of public ownership will also get the extra kicks.

These may seem harsh words. But it is necessary to be harsh in order to be constructive. What should Labour say about housing policy at this time? The answer is simple, once the party has grasped a single salient fact. By the time Labour gets into power, the housing "problem" which occupies politicians' attention today is most unlikely to exist. Since Britain

The UN and the Deep Blue Sea

THE world's oceans have been disturbed in the last few years by the splash of old and cherished concepts of the freedom of the seas going overboard one by one. Vast expanses of seas that were once open to all comers have been marked off by various countries, under one pretext or another, as their private property, or have been put under restrictions of different sorts. The International Law Commission, which consists of fifteen legal experts from different countries, is now meeting at Geneva in an attempt to bring order to this scene of confusion. It has been asked to prepare a draft code of the sea for the United Nations Assembly to consider in November. This is the Commission's eighth annual session, and it has already consumed in some hot debates seven of the ten weeks it gave itself to finish the task. It has become very clear that, even if it manages to avoid all the snags in its way, its proposals will meet fierce opposition from some nationalist-minded countries in the Assembly.

Not many countries have taken things to such an extreme as El Salvador, which has written into its constitution a claim that its territorial waters extend 200 miles from its coast. But several others have gone nearly as far. Ecuador, Peru and Chile between them

already has more housing room per head than before the war, the only problem today is one of maldistribution—of gross under-utilisation of some sorts of accommodation and long queues for others. This, in turn, is a function of rent control; and the Tories, with greater or less willingness (probably less), are bound to amend rent control before they fall from power.

A wise leader of Labour at this time would therefore give this advice to his party: sit tight; formulate a policy about such permanent housing issues as differential rent schemes, suburban development, new and overspill towns; harvest the fruits (but not too greedily) of the initial unpopularity that the Tories are bound to incur through reforming rent restriction; be very careful not to commit the party to restoring that restriction; leave no more than a vague feeling in the voters' minds that when Labour returns it may perhaps set up a departmental committee to examine how local councils can add to their stock of rentable houses by more extensive purchases of existing houses on the market. During the last two weeks the Labour Executive has been busily knocking the rough edges off its housing committee's original flight of fancy; it may, of course, have knocked off enough edges to destroy its silly and too specific core, and to produce a pragmatic statement of this sort out of the mess. Let us hope so. For this not very difficult, and only temporarily emotional, problem of housing seems fated by an unfortunate timetable to provide the first printed test case of Mr Gaitskell's leadership, patience and policy.

waters above; but they are a step back from the purest classical doctrine of the free seas.

In the face of incipient anarchy, however, it has fallen to Britain and other old-established maritime powers to try to call a halt. Among the mass of smaller issues with which the Commission has been grappling, two major problems stand out. First, what is the proper width of territorial waters, within which coastal states are entitled to claim full sovereignty? Second, what lesser powers, short of full sovereignty, should states be allowed to exercise outside territorial waters to meet the conditions of technological change—or simply, perhaps, to save them from the temptation of marking off huge stretches of sea as their own?

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The British case is that international law is quite unambiguous about the width of territorial waters. Apart from a few exceptions with a long history behind them (such as the Norwegian claim to a four-mile limit, to which the International Court gave its blessing in 1951) Britain says that practice and precedent justify only the familiar three-mile limit. Outside this narrow strip of territorial water, according to the British argument, a coastal state's legitimate interests can be safeguarded in three ways. One is to allow it to exercise certain limited powers, chiefly concerned with customs and health regulations, in a "contiguous zone" up to 12 miles from the coast. The second is to grant it full control over the resources of the sea bed off its shores, down to a depth of 200 metres. The third is to allow it to make regulations to protect fishing grounds off its coast in which it has a special interest, provided that other states affected by these regulations can appeal to an independent tribunal.

Unfortunately, this scheme of things has not emerged quite intact from the Commission's debates. For one thing, the proposed "contiguous zone" looks like being swallowed up by renewed claims for territorial waters over and above the three-mile limit. At last year's session the Commission, torn between the traditionalists and the nationalists, in effect drew two parallel lines to mark the boundary of territorial waters. It said that international law did not justify their extension beyond twelve miles, but added that states need not recognise a width of more than three miles. The nine miles in between were thus left in a lawyers' limbo.

The British delegate is urging the Commission to think again at this year's session, but he is unlikely to make much headway. The only real justification for the old three-mile rule lay in its general acceptance; and it has now been broken in so many places that an international agreement to stick the fragments together again can hardly be hoped for. If the Commission refuses to condemn extensions up to 12 miles, no prophetic gift is needed to forecast that a growing number of countries will follow the current fashion and push their territorial waters further out. And it is hardly

helpful for states to be told that they are not "required to recognise" more than three miles if in fact gunboats go out and enforce a twelve-mile limit. The idea of the "contiguous zone," in which nations could exercise a kind of half-sovereignty, is in danger of being swept aside in the rush to claim full sovereignty.

This is not all. The right of coastal states to exploit the resources of the sea bed off their shores is generally admitted; but at Geneva this week the Mexican and Cuban delegates led a move to extend the definition of "resources" in such a way that they might have included pearling grounds and perhaps even deep-water fisheries. This brought such loud protests that the Commission hastily dropped the matter without agreeing on a definition. Almost as much trouble has been caused by the regulation of fisheries outside territorial waters. The same Mexican delegate, with the support of the communist representatives on the Commission, recently tried to delete the clause providing for compulsory arbitration where the countries involved cannot agree what regulations are needed. The code offers coastal states the right to lay down regulations for fishing grounds off their shores; if they are to have this privilege, it is important that other countries should be able to appeal to a neutral umpire if they think they are being unfairly treated. The Commission has decided to keep the compulsory arbitration clause; but the attack on it may be renewed in the Assembly.

It must be admitted that even if, by a miracle, the British proposals had gone through the Commission intact, they would still have marked a retreat from the old idea of the sea as a completely free and untrammelled place. Territorial waters would have stayed narrow; but various kinds of restrictions could have been enforced outside them, on both the surface and the sea bed. Now, however, the line marking the border of territorial waters has been blurred, and it appears that many coastal states, not content with the other privileges that have been granted them, want still wider powers. The slide to chaos has not yet been halted.

The real battle will be joined in the General Assembly, where the national interests which in the International Law Commission peeped out from behind the lawyer's robes will make their appearance naked and unashamed. Probably the best that can now be hoped for from the Commission is a draft code which, while falling short of what the liberals (like Britain, France, and the United States) want, would at least prevent the most flagrant kind of sea-grabbing. But this code will have a rough passage through the Assembly, even if it eventually gets the sanction of a two-thirds majority. The worst of the recent offenders, like Peru, Chile and Ecuador, have not been represented on the Commission, and they will presumably have a good deal to say when the Assembly meets. And even if the Assembly accords the code a two-thirds majority, it is difficult to see how it could be enforced upon an intransigent violator. The prospect of keeping the seas free from encroachers remains a gloomy one.

Notes of the Week

The Economic Skein

IT would be a mistake to suppose that Mr Macmillan's impromptu statement of good cheer in the Commons on Tuesday (that he believes that his "various weapons, of which monetary policy is one, will be successful in overcoming our difficulties this year") presages any switching off of the alarm clock. The circumstances of the statement were peculiar. The Chancellor was being asked by a Tory backbencher to reduce Bank rate, because he (the backbencher) thought that Bank rate was not working; Mr Macmillan indicated that Bank rate certainly would not be reduced, because the weapon was working very well; and some people have strangely interpreted this as meaning that, since the Chancellor thinks that Bank rate is working well, he may soon be in a position to reduce it. The muddle could hardly be more complete.

But this is partly because Britain's economic problem is now in a very muddled and intricate stage. To attempt a summary. The Government's economic policy is probably working well enough to restore Britain's balance of payments to surplus this year, provided overseas demand remains reasonably buoyant. Its main failing is that the unions are still in full cry for wage increases. On this situation there have now been superimposed two shocks from abroad. The first is that the continuing tide of wage demands has prompted some renewed speculation against the pound; the second is that it now seems possible that overseas, and particularly American, demand may not be as buoyant this year as had been hoped.

Provided there is no American recession (the prospects of that are discussed in an article on page 991), the outlook seems spotty rather than dark. Although the present degree of disinflation is not checking the formulation of extravagant wage demands, it may still check the granting of them—and without too many strikes (the unions' cautious attitude towards the projected stoppage at Standards this week was significant); if this happens, then speculation against sterling will certainly turn round in its tracks. But this is a time for caution, and it is important to distinguish the different strands in the economic skein. The exchanges at question time last Tuesday merely served to tangle them.

Tito in Moscow

THERE has been no lack of theatre in the opening of Marshal Tito's visit to Russia. There was the tumultuous hero's welcome on his arrival in Moscow; the handshake with his old enemy, Mr Molotov, the timing of whose resignation as foreign minister is a sacrifice on the

altar of Soviet-Yugoslav friendship; the curious crowds on Gorki Street forcing the Marshal and Mr Khrushchev on their sight-seeing stroll to take refuge in an ice-cream parlour; most dramatic of all, the studied snub to Stalin administered when Tito deposited at the Lenin-Stalin mausoleum a wreath addressed to Lenin alone.

The warmth of Marshal Tito's present meeting with the Soviet leaders is in striking contrast to the coldness, on his side, of his last meeting with them in Belgrade. In the intervening year the Soviet leaders have made the grade in Marshal Tito's eyes, and it seems to have been the Soviet party congress last February that tipped the scales in their favour. (The satellite leaders have not all done quite so well, and the future of their régimes may turn out to be one of the few clouds in the Soviet-Yugoslav sky.) Marshal Tito now holds that the recent changes in Russia are genuine and important, that between Yugoslavia and Russia "there are no longer any important problems difficult to solve" and that any divergence between the two countries on international policy are not of "vital significance."

Marshal Tito insists that none of this need affect his relations with the West. Nor need it, in theory; but in practice it is much trickier for him to lean over the eastern side of the fence without falling off than over the western side. When he visits a western country, like France, he is sufficiently a bird of exotic plumage to stand out distinctively from his background. But when as a communist he pays a demonstratively friendly visit to another communist country he can retain his separate identity only by a deliberate effort. He may still succeed in holding to his independent line, yet the healing of the breach with Moscow presents Yugoslav diplomacy with a problem: how, in these transformed circumstances, is Marshal Tito to keep the prestige and confidence which his courage in standing up to Stalin won for him, rightly, in the western world? Pressure in the United States Congress to cut down, or cut out, foreign aid is at its most emphatic in the case of Yugoslavia because of the reconciliation with Moscow.

Uneasy Survival in Paris

THERE was no political earthquake in Paris this week, but a fairly quiet debate in the Assembly leaves M. Moller still sitting very uncomfortably, with an Algerian burden which he shows little sign of being able to move. The Communists finally decided against an all-out attack on the government. They preceded this choice by the unusual step of summoning their Central Committee and parliamentary group to debate the line to take. There were apparently many who advocated a negative vote in keeping

with the mood of the working class and with the party slogans on Algeria. After lengthy discussions the official view prevailed that abstention was better than a rift with the Socialist rank and file. The conservatives, for the most part, did not seize the opportunity of this Communist defection to climb on M. Mollet's bandwagon and claim the driver as their own. They are torn between their liking for M. Lacoste's policy in Algeria and their instinctive dislike of a Socialist-led government.

M. Mollet thus finds himself once again in the centre, protected by tactical calculations on his wings and by the lack of volunteers for the succession. The key to French politics now lies in Algeria (the outlook for French policy there is discussed on page 1001), and this is certainly not the last debate to be dominated by North African events. If M. Mollet has a realistic programme capable of shortening this costly war in the interval, which is unlikely to last long, he has not disclosed it.

The impact of the Algerian conflict on French life is growing; its cost can no longer be concealed. At least £100 million will have to be found for military outlays on top of the recent estimates, and the bill is mounting up fast. The taxes announced by M. Ramadier—a "civic tax" and one on supplies for the troops—will raise only a fraction of what will be needed. There are fears, too, that the recall of reservists will affect industrial production at a time when France is experiencing a deterioration in its balance of trade. There are no dollars this time to come to the rescue, and M. Mollet may find his improvements in the social services frustrated by the Algerian running sore. He did not give the impression this week that he is aware how closely he is fighting against time.

Saar Settlement

MOLLET'S latest meeting with Dr Adenauer may, if all goes well, have removed the Saar permanently from the arena of European national disputes. Presumably no one will again be prepared to base any policy on the assumption that the Saar can be made anything but German. This is France's main concession: to accept the political and economic return of the Saar to Germany. Political union with the Federal Republic is fixed, in principle, for next New Year's Day. Inevitable since the plebiscite and the electoral victory of the pro-German parties, it has in the end been accepted with good grace by French opinion. Economic union, to be achieved by January, 1960, will come later than the Saarlanders wished but several years earlier than the French, quite lately, had intended. To Germans, the recovery of the Saar will be a major political event: the first stride by the Federal Republic towards the territorial restoration of Germany.

France retains for a time a stake in Saar coal, though here both sides have had to give ground. Much of the coking coal for the Lorraine steel industry comes at present from the Warndt coalfield in the Saar, which the *Charbonnages de Lorraine* have been developing since the war, and from which they originally hoped to extract a further 130 million tons by 1980. But the Warndt field is the Saar's main coal reserve; and as the pits in the developed part of the Saar basin approach exhaustion, the Saar mining undertakings will be forced to turn more and more to the

Warndt. Its reserves are very large, but if the Saar's own future needs are borne in mind, the German agreement to allow France 90 million tons between now and 1980 (about the present rate of extraction) is not one of which France can complain.

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Germany's principal concession has been to accept the project to turn the Moselle into an industrial waterway from Thionville to Coblenz, where it joins the Rhine. The cost to Germany of the canal, in German territory for most of its length, will not be as large as some German critics supposed, since France is to pay 250 million of the estimated cost of 550 million marks. Still, Dr Adenauer's concession is considerable. Because the canal will improve the competitive position of the Lorraine steel industry against the Ruhr it has been vigorously opposed by German industry. The Saarlanders, too, dislike it; the project will not benefit them, and they would prefer any available funds to be used to make up their own pressing arrears of investment. In return for the Moselle canal, the French have agreed to go no further with their canalisation of the upper Rhine, and to pay compensation for such losses as the existing Alsace canal may have caused to German agriculture and water supplies. Although this concession may irritate local French feeling, it is a small price to pay for the Moselle canal, so dear to Lorraine.

Once completed and ratified, these agreements should remove the chief irritant between the two countries. "Europeans" were disappointed that a supranational solution was not found for the Saar, but events have shown that they were unwise to suppose that "Europe" could be advanced by a compromise settlement of a national territorial dispute. But the new agreement is a step in the functional integration of Western Europe; the Moselle canal is not only an earnest of German willingness to make the coal and steel community work, but should be in practice a major "European" development project.

A Star is Not Born

ANYTHING which increases competition among newspapers is profoundly in the public interest. The announcement by Hulton Press that it has abandoned its plans to produce a new Sunday paper, in the face of the refusal of the National Federation of Retail Newsagents to handle it on the normal terms laid down by the Newspaper Proprietors Association, should therefore cause some searching questions to be asked. Plainly there is some intolerable restrictionism here. But restrictions by whom? Partisan statements have flown about. The Hulton announcement itself hardly covers all the facts, but seems nearest the truth when it says that "the *Sunday Star* has become the victim of the Federation's dissatisfaction with the NPA's terms."

The Federation is certainly dissatisfied with the margins on which its members, the newsagents, sell and distribute newspapers; in the case of 3d. Sunday papers this margin is 25 per cent, but only if every paper ordered is sold. On the plea of saving paper, the NPA still will not allow return of unsold copies. The NPA has repeatedly and flatly turned down the Federation's demands for an

increase; the newsagents grumble but accept this—for the margins are, after all, sufficient to keep a huge network of them alive. The Federation, however, is now trying to breach the NPA's defences by demanding better-than-NPA terms from any new newspaper. For the *Sunday Star* it demanded the terms agreed for periodicals with the Periodical Publishers' Association (an extra 6d. a quire compared with newspapers); it had already demanded, and secured, these from the Mirror Group for its *Woman's Sunday Mirror*. Hultons aver that they cannot comply, not only because of the extra expense, but because compliance would disqualify them from getting from the NPA (of

which they are not yet members) the distribution facilities needed by a true Sunday paper produced wholly on Saturday.

The appearance is, therefore, of collective agreements being enforced by the Federation openly, and at one remove by the NPA. One powerful trade association is fighting another; when this happens there is no objective criterion by which one can judge whether the margins that emerge for retailers are "fair." But it is very serious if the result of the battle is going to be collective discrimination against new entrants. When the Restrictive Trade Practices Bill comes up for its report stage, Parliament should make sure

The Copyright Bill

THIS Bill, which got its second reading in the Commons on Monday, attempts to bring the law of copyright, as propounded in the Act of 1911, into line with technical change, international and imperial developments, and new conceptions of individual rights in artistic works.

1. Part I deals with copyright of individuals in original works.

Artists' Rights. The basic formula stated in Clause 2 and 3 is now "Life + 50"—full copyright for author's life and 50 years for his heirs. In order to comply with the Berne convention—and to enable Britain to ratify the "universal convention" and protect rights of nationals of convention countries—the escape clauses of the 1911 Act have been dropped. Under these, 25 years after the death of an author, any publisher could republish on payment of a statutory royalty. As the law will be, unless his original publishers agree, cheap editions of (e.g.) Rudyard Kipling cannot appear until 1986. This is a great pity.

Staff Artists' Rights. Under the 1911 Act a staff journalist or artist lost all rights in his work to his employer, except that the latter might not use his work otherwise than in a periodical, etc. Clause 4 §2(b) now gives him the right to use his work in any other way, e.g., as a film; clause 4 §2(b) equates the author of a commissioned work, when no contract stipulating otherwise exists, to that of a staff artist.

Infringement. Under the 1911 Act only the performer of a work infringed copyright if he performed it without permission; under clause 5 §2 the owner of premises in which infringement occurs is liable separately, unless he has reasonable grounds for ignorance.

Fair Dealing. Clauses 6 and 9 deal with, broadly, the right to quote without infringing copyright (subject to acknowledgment); and broadcasting organisations are given the right to make an "ephemeral" canned record of a work without incurring a separate recording fee, subject to destroying the record 28

days after the last contractual performance. This is necessitated by the fact that performing rights and recording rights may be vested in separate hands. **Photocopying.** Clause 7 (a new clause) codifies libraries' rights to make photostat copies of copyright works.

Licence of right to record. Under clause 8, once permission has been made to record a work, it is made to all recording organisations, subject to royalty; there is, e.g., no copyright in recording any one modern symphony. Different rights may be prescribed for different classes of record.

Art and Design. Clauses 10 and 42 between them attempt to define when a work is an original work and when it is an industrial design, necessary because design protection as distinct from copyright lasts only 15 years; the formula is broadly reproduction by a production process, e.g. in metal.

2. Part II deals with "quasi-industrial" works—sound recordings, films, typography, etc.

Copyright in Reproduction. There is a separate copyright in reproducing which may be in different hands from the copyright in the original. Clause 12 now reduces copyright in reproductions from 50 to 25 years. It also makes one welcome, though limited, assault upon the Luddite practices of the Musicians' Union in preventing records being played under any conditions in which live musicians might be employed: it is laid down in clause 12, and reinforced in clause 14 and in Part IV that the scope of copyright should not apply when the record is played as an amenity not charged for in residential premises, "pubs or clubs," or for philanthropic purposes.

Component Rights. A film is to enjoy a copyright of itself which lasts 50 years from registration. This is too long, for though it means Hamlet can be remade any time, films of authors in copyright cannot. It is proposed, however, under clause 13, that component rights of performances or scripts done for a film should expire with the film's copyright.

When the film of "The Third Man" is out of copyright, so is the playing of the Harry Lime theme, even if the composer's heirs' 50 years have not expired. **Pubs and Clubs.** Clause 14 §8 allows pubs and clubs to turn on the radio or TV without infringing copyright if no separate payment is made for admission. This remedies a bad defect in the original draft of the Bill.

Offset Piracy. Clause 16 establishes a 25-year copyright in a particular typesetting of a work, and is designed mainly to prevent copying by offset processes of music-scores.

3. Part III (Clauses 18-22) increases the powers of courts to award exemplary damages but protects an innocent infringer.

4. Part IV sets up the Performing Rights Tribunal, which is an independent authority to which would-be copyright users can bring cases (a) of overcharging and (b) of withholding licences for improper or arbitrary reasons. Appeals lie to the High Court on points of law only.

This Tribunal, whose working is set out in clauses 23-26, is designed as another attack on the Luddism of the Musicians' Union; organisers of dances and so forth who are refused permission to play records should in future be able to refer the union direct to the Tribunal.

5. Part V and VI deal with miscellaneous matters.

Empire Copyright. Clauses 30-34 deal with the situation, not envisaged in 1911, when British law is made for the United Kingdom only; they provide for British copyright law to be enacted in the colonies, by Order in Council.

Copyright in the Copy Book. Clause 16 exempts places with a "pupil-teacher relationship" from infringing copyright in exam. papers, school concerts, etc.

Bible Monopoly. Clause 44 maintains the Bible monopoly (discussed in *The Economist* last week) and the General Medical Council's monopoly in the "British Pharmacopœia."

that it is equipped to deal adequately with restrictionism of this kind—and that the proposed tribunal can investigate the practices of both these bodies.

Stalin's Epitaph

THE text of Mr Khrushchev's attack on Stalin has finally found its way into the western press. Delivered at a secret session of the Soviet party congress towards the close of February, it leaked and created an immediate stir in the Soviet Union. Versions were later circulated to communist parties in eastern Europe and elsewhere, to explain the anti-Stalinist campaign and to ensure if possible that the drive for collective leadership should be extended outside the Soviet Union itself. By now several texts have reached western governments, and the State Department has decided to release a version, not guaranteeing its authenticity but stressing the reliability of the source. The text rings true, makes fascinating reading, and calls for comment at length. A few things, however, can be said at once.

In the first place, there is a striking contrast between Khrushchev in the open and Khrushchev behind closed doors. A few days previously he had been cautious in his condemnation of Stalin. At the secret session he delivered a violent indictment. In his first speech he still referred to oppositionists as "enemies of the people"; in the second he described the very application of such terms to deviationists as Stalin's diabolical invention. There must have been many awkward questions from the floor, probably precipitated by the more outspoken Mikoyan, to spur a guarded Khrushchev to such passionate fury. And what has been said to the privileged few has not yet been openly broadcast to the Soviet people. Secondly, in a most un-Marxist fashion all the blame is put on Stalin alone and not on the system. This seems a curious cult of the individual in reverse, with Stalin appearing as a *diabolus ex machina* and developing his worst feature at a specific time, somewhere in the late 'thirties. Finally, there are still several Stalinist distortions and instances of deliberate confusion in the speech (e.g., the assertion that Trotskyites were opposed to industrialisation). The shooting of more "Beria men," Bagirov and his associates in the Caucasus, has also provided a fresh reminder that the methods of Stalin have not wholly been embalmed with their author. But the questions and the pressures which caused Khrushchev to change so much in so few days are still at work, forcing the Soviet rulers to bury more and more bits and pieces of Stalinism.

Crystal Gazing at Suez

AN Egyptian director of the Suez Canal Company has this week come out with a statement that was to be expected: when the canal company's concession ends in 1968, the Egyptian government intends to take over full management of the enterprise. Though the date is still twelve years away, and no one can predict what political considerations will by then be weighing Egypt's actions,

there are, on the practical side, several contingencies that can be foreseen.

One safe forecast is that Egyptians will be determined to run the Canal well, not only for prestige reasons, but because Canal dues are a prime source of the foreign exchange which they must earn if they are to service the huge loans which they plan to contract for internal "development."

Another guess is that twelve years is too short a time to inculcate a taste for the steady slog at routine administrative work on which the French Company's superb local efficiency has hung. So far, no competent Egyptians have held, or even wanted, senior administrative jobs tucked away on the Canal bank. Nor has the Egyptian civil service, so far, provided the right kind of training ground for the work; in Egypt, aptitude for routine work is rarely evident except in the armed forces—so little so that army officers are now being pushed into ministries to implant it. Once in nationalist hands, Canal traffic management is likely to work less smoothly, and certain to work less silently, than it does now. Already this year, pressure has been exercised on the Company to employ more Egyptians as pilots, and because too few Egyptians have the necessary seagoing qualifications, the standard has been lowered to let more in. Such reduction of standards, if extended to other realms of management, will not cause traffic to collapse, but it must impair the chances of quick handling.

Unfortunately, there is no room for sagging efficiency. Already the traffic is approaching bursting point. It more than doubled between 1948 and 1955, largely, but by no means wholly, because of the increase in oil traffic. To judge by the OEEC report on Europe's future energy demands that is summarised on page 1020, the volume of oil carried will go on rising for the foreseeable future. Who is to organise the changes needed to meet such pressure, including the capital works entailed? The outgoing concessionaire? The incoming manager? Or the users? One point of which users already seem aware is that representation of their interests to an Egyptian management, if composed of supercharged nationalists, will be more effective if conducted by some international shipping body than by governments to whom political motives can be ascribed.

Disquiet Over Kenya

ONCE again the Colonial Secretary has had a mauling in Parliament over Kenya. He got out of his last brush with Mrs Castle in no very good shape, and on Wednesday he did little better with his rebuttal of Miss Fletcher's charges—brought forward by Mr Creech Jones and Mr Bevan—that the government of Kenya was sentencing to long periods of imprisonment, and sometimes hard labour, Kikuyu girls as young as 11 or 12. He triumphantly announced that medical inquiries had proved that the girls were 15 at least; and the story of this "regrettable" mistake, which had misled everyone, including Miss Fletcher, was saved up as the final annihilating retort for Mr Lennox-Boyd's reply at the end. This sort of thing makes one despair of the Government's sense of proportion in dealing with the highly-charged Kenya situation. Of course African women are mature at 15; but it was a poor answer to the whole tone of the indictment, and the Government's replies to most of Labour's other charges—many

of them exaggerated—were little more effective. The government of Kenya should resent such bad psychology, if no one else.

It is no longer enough to assert that fine work has been done in putting down a bestial conspiracy in which thousands of innocents were butchered. Confidence in the rule of law in Kenya has been shaken; the bland announcement that an investigation is going on into the Kenya criminal code as fast as resources permit, and the flat contradiction of the strictures passed on Kenya's justice by one of the colony's judges, will not remove doubts. Colonel Young's resignation from the police force has never been explained; and so long as it is not—and Mr Lennox-Boyd has slammed the door on further discussion—the presumption will remain that the control of the police by the executive is thoroughly bad. Kenya is not Britain—but the fact remains that Africans are not tried by jury, suspects are held on suspicion, released arbitrarily when "rehabilitated" or reclassified, and that serious allegations have been made about conditions in the camps. The Kenya judges differed on the fairness of present administration of justice, just as Mr Lennox-Boyd and Labour members differ on Miss Fletcher's reliability as a witness. But it is time the smoke screen over Kenya affairs was dissipated.

It is only fair to add that some of the nonsense talked by Labour members in the debate was beyond belief—as witness Mr Bevan's demand that there must be "democracy" in colonies before there is "self government." If, however, the Labour party can bring forward practicable proposals, as Mr Bevan promised, to keep colonial affairs under closer—but above all better informed—review, they should be examined with every sympathy.

Ritual Sacrifice

THE allies have handled the winding up of the Korean the Ministry of Agriculture has received considerable publicity and has been widely represented as a bad example of high-handed bureaucracy. But it was nothing of the sort. The Ministry was only following the recommendation made to it by a local committee of representative farmers. This farmers' committee in its turn was only applying—seemingly most reluctantly—its statutory duty under the Agriculture Act to take steps against inefficient farmers. The committee had had Lady Garbett "under supervision" for as long as five years and, in their view, she was still farming badly. She could have appealed against the committee's verdict to the Agricultural Land Tribunal—a body which is wholly independent of the Ministry and incapable of being overridden—but she did not choose to do so.

Clearly, the indignation at the Ministry's expense which this case has uncorked is badly misplaced. The actual handling of the case appears to have been fair and even lenient, and its only striking feature was the fact that a titled lady and not just a simple farmer has been evicted from house and land. The fault lies, not in the Ministry's conduct, but in the continued acceptance by the Government and the farmers' unions of the principle that bad farmers should be coerced by the state in peace as in war: that the ritual sacrifice of 50 inefficient Joneses a year is a reasonable offering for

farmers to lay at the Treasury's feet in exchange for a £200 million subsidy. This principle—with its concomitant hindrances to progress towards a more economic system of farming tenure, and to the conversion of county agricultural committees into straightforward technical advisory bodies—was attacked in *The Economist* in an article on May 5th last. Now that no ordinary Jones, but a newsworthy lady and her daughter, have fallen foul of the system, there may be more hope that the sort of recommendations contained in that article will be put into effect.

Speeding Korea's Guests

THE allies have handled the winding up of the Korean armistice commission very clumsily. The announcement by the United Nations command last week, although technically it did no more than "suspend the operations" of the three teams of neutrals supervising the truce in South Korea, in fact amounted to an eviction order, and the teams have been shown the door to the demilitarised zone that lies between the two armies. This way of doing things leaves the allies with the odium of breaking up the arrangements made at Geneva in 1954, and is liable to excite disapproval in India and various other uncommitted countries.

It is true that the neutral armistice commission had long outlived its main purpose. The communists have violated the ban on reinforcements with the barest of faces, as the evasions catalogued by the UN command show. The Swiss and Swedish members of the commission have several times complained that they have been unable to keep a proper watch because the North Korean authorities, with the connivance of the Poles and Czechs on the commission, have stopped them moving about freely. Things have been little better in South Korea, where the Poles and Czechs had to be protected against Dr Rhee's mobs by American bayonets. But it would have been much more sensible of the allies to have waited until the commission disintegrated of its own accord.

The frustrated Swiss and Swedes would have needed little encouragement to announce that communist impediments had made it pointless for them to carry on. They had already suggested in March that the teams should retire to the demilitarised zone (a proposal which the Communists, who rejected it at the time, have now suddenly accepted with a show of virtue). If the Swedes and Swiss could have been persuaded to force their demand home, they might then have withdrawn simultaneously from north and south; the Poles and Czechs in the south could have been ushered out without embarrassment; and the responsibility for the commission's failure would have been plainly stated by those whose word would carry most weight in the neutral world.

In theory, of course, the commission can still perform one useful function from the demilitarised zone—to guard against a sudden foray across no man's land, although strictly this is not within its terms of reference. But it is unlikely to be content with this relegation to limbo; and its members will probably soon pack their bags and leave for home.

Cyprus Over Athens

IN this country Cyprus is not yet the dominating political issue; in Greece it is. The emotions aroused by the problem in Greece push other tasks into the background, cloud thought, put a premium on intransigence and play into the hands of extremists. Neither the present nor any other Greek government is likely to prove able to control and direct the flood of public opinion; it must swim with the tide. This partly explains the emotional and largely misdirected attack on British policy made by the Greek prime minister last weekend. It explains, although it does not justify, the failure of the Greek government to curb the disgusting excesses of Athens Radio. And it explains the recent resignation of Mr Theotokis as foreign minister; a conciliatory man, he went because his mildness failed to reap dividends.

Yet, as things are, a tougher policy is unlikely to do much better. Greece's room for manoeuvre over Cyprus is strictly limited. Most responsible Greek politicians (as last month's parliamentary debate showed) are averse from cutting the painter with Nato. But apart from this drastic step there is at present little to be done beyond appealing to Uno, enlisting international opinion and resisting (as Mr Karamanlis now seems to be doing) the attempts of the Ethnarchy to dictate Greek foreign policy. But as the crisis drags on it will become easier for extremist groups to harness popular feeling to their own ends, and more difficult for the government to pursue a moderate policy and accept a moderate settlement. In Athens, as in Cyprus itself, time is no healer.

Letters from Prison

ON the face of it, Mrs. Braddock's questions to the Home Secretary last week drew attention to an unjustified bureaucratic restriction: the refusal of the prison authorities to allow a prisoner to send a letter to a member of Parliament. If a prisoner has a grievance, ought he not to be allowed to voice it—instead of being made to feel that all the actions of officials, from the Secretary of State downwards, are aimed at repressing him?

But in attacking this particular restriction Mrs Braddock was only trying to remove one symptom of a deep-seated disease; and she, and others who share her indignation, may run the risk of exacerbating the disease in so doing. For the immediate reaction of prison staffs to this sort of complaint is to regard it as a further attack on themselves. Their resentment at what seems to them the ready hearing given to prisoners' grievances, while their own are ignored, is increased; and it tends to work itself out in their relations with the prisoners in their charge, who themselves are on the look out for any piece of petty malice which they can magnify into gross ill-treatment and forward a complaint about—and so it goes on. Prison staffs are not the reactionary domineering bullies they are sometimes made out to be. But they are harassed, grossly overworked men, doing a monotonous unconstructive job in a highly unnatural, and sometimes potentially dangerous, environment—and without, they must often feel, the support of the public that has placed the prisoners in their care.

It is this constant state of mutual tension in which prisoners and prison staffs live that, as often as not, gives rise to the sort of complaint that occasionally surfaces in the House of Commons at question time. The right remedy for it is not merely to make it easier for prisoners to make allegations about prison conditions; the restrictions on writing to MPs were put on because the stream of letters from prisoners became overwhelming when the conditions were less stringent. It is to cut through the depressing and oppressive atmosphere of prison life by giving the staffs an entirely new outlook towards their work, which means making it constructive instead of purely custodial. This remedy has been adopted with success in other countries; it can be applied here—given the will.

General Post in Burma

U NU had often talked of resigning the premiership of Burma, which he had held ever since the country became independent in January, 1948. On many occasions he made known his wish to retire to a life of religious contemplation and study, a wish characteristic of this least ambitious of politicians, upon whom greatness was thrust only by the simultaneous assassination of Aung San and a number of his closest colleagues in 1947. But it is not to a monastery that U Nu now goes; he has accepted the task, more profane but not less rigorous, of sorting out the affairs of his own governing party, the Anti-Fascist People's Freedom League. The League still enjoys a comfortable dominance in parliamentary and public life, but its losses to the National United Front party in the April elections provided a salutary shock; and U Nu may well feel that if its inner unity and rickety organisation are not quickly overhauled it will disintegrate and make way for the kind of splinter politics that have plagued Indonesia, Pakistan and other neighbouring "new nations."

U Ba Swe, who now becomes prime minister while retaining the important defence portfolio, seems also to have a pepping-up mission. So many of the members of the new cabinet have swapped ministries that the changes might fairly be termed a general post. Some of them, such as the transfer of the able U Raschid from trade to mines, may be the result of particular pressures; but the others, taken together, look like an attempt to dig ministers out of posts into which they have settled rather too comfortably and to test their talents by setting them unfamiliar tasks. If this is indeed the intention, Burma stands to benefit; in its present difficulties, largely created by the blithe way in which its representatives have plunged into ill-judged barter deals with communist countries, it is badly in need of more ministerial vigour and attention to priorities.

British Reactors for Germany

THE success of British efforts to win a foothold in Germany's nuclear development plans was confirmed last week when details of eight reactors planned in West Germany were released. Three will probably be made in

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Germany—the research reactor at Karlsruhe, a reactor for testing materials to be built in the Ruhr by a consortium of German firms, and the first German pilot power plant to be constructed for the RWE power undertaking. Three research reactors, including two of the “swimming-pool” type, are to be bought from the United States. Two other small research reactors are to be bought in Britain and there has been talk of a third; one has been ordered already. Both the United States and Britain will supply fuel.

The federal German Minister for Atomic Questions, back from America, also went out of his way to reaffirm his government's desire for atomic collaboration with Britain; Herr Strauss plans to visit Britain later this year for talks on a bilateral atomic agreement. He went on to oppose the grant of any “*dirigiste*” powers to “Euratom” and to declare that “Euratom” must be designed to fit in with OEEC plans (of course including Britain).

The announcement of detailed plans should also have given a little comfort to the many German critics who have been chafing at the slow progress of German plans for nuclear development. The plans so far announced are fairly modest and are confined to research. Herr Strauss and his advisers feel that “since Germany's coal and energy position is somewhat more favourable than Britain's” she would be unwise to plunge into power development at a time when there is so much controversy about the most economic type of plant. Ten years behind in experience, Germany does not want to make the mistake of constructing obsolete plant, and the development of medium-sized power stations is not expected for five to seven years. But the draft atomic law on which Herr Strauss's ministry has been working is now apparently complete and should soon be laid before cabinet and parliament. The law, though more moderate than the extreme *laissez-faire* proposals put forward by certain industrialists, is evidently designed to give scope to private enterprise. Once it is through, German firms will be free to develop more ambitious projects.

Hobson's Choice for the Church

WHEN the Church of England Assembly meets on June 21 it will have to decide what to do about its schools. Since the Education Act of 1944 came into force these have been of two main kinds:

(1) “Aided” schools, in which only one-third of the school managers are appointed by the local authority, and two-thirds by the Church; the Church therefore has a permanent majority in the selection of staff and so on. But the Church has to find half the cost of bringing these schools up to standard and of maintaining their fabric, the state paying the other half and the local authority the running costs.

(2) “Controlled” schools, in which the local authority has two-thirds of the managers and pays all the costs; and in which church teaching is only for those children whose parents request it in writing.

The Roman Catholics have succeeded in keeping all their schools as aided schools, and the Church of England naturally prefers to do so; but where the local church is unable to raise the money necessary to pay its share, it has to accept controlled status. In consequence, since 1947, Church of England aided schools have been becoming

controlled at an average rate of 93 a year. Last year the Minister of Education, in announcing his plans for rural schools, called upon the churches to bring their rural primary schools up to standard. An acute crisis is therefore upon the Church of England; and the whole future of its schools has just been examined by the Central Board of Finance, the Church Commissioners and the Schools Council.

The report reveals a dilemma. Not counting 2,350 schools that are due for closure anyway, the Church of England has 5,650 schools (rather over one in five schools in the state system) and of these 2,500 are aided. If this line is to be held £3 million must be found over the next 25 years, or £590,000 a year. That suggests a deficit of £180,000 a year on present assets, but the Schools Council, for its part, thinks that all but about £40,000 a year can be raised or found by economies. This £40,000, it suggests, should be borne by central funds. To this the Church Commissioners reply that at present they have no power to use their money for schools, and they emphasise that if they are given such power by legislation they will have less to supplement stipends, to modernise parsonages and to provide church buildings in new housing areas.

Aided schools, closely linked to church and congregation and helped by the vicar, often have an atmosphere which it is a pity to dispel. But the minimum salaries of parsons

Too Much Legislation

It may be useful, now that the public attention is likely to be again much directed to domestic affairs, to advert briefly to the principles on which laws ought to be made, or what is called the philosophy of legislation. From the want of a knowledge of these principles, which can alone supply a standard for making or amending laws, we make laws one session, and repeal them the next, or a session or two afterwards; we allow individuals to suggest or make laws according to their fancy or caprice; and we have in consequence now got a great heap of undigested laws, filling we know not how many volumes, which are a standing disgrace to both Houses of Parliament and to the whole nation. . . . We must now find out what laws will answer the purposes we propose and what will not. At this moment society is very generally philanthropic, extremely desirous of improving the condition of the multitude; it is deeply affected by sufferings from disease and want, from close, small, and crowded dwellings, and seems resolved by legislation to get rid of dirt and discomfort. The object is excellent; the legislation, however, in the main is really directed against poverty; it is carried out, and can only be carried out, by some kind of restrictions and some kind of office-bearers to see them executed—an infallible means of dividing the existing amount of wealth in smaller portions, with no tendency to increase the whole, and certain, therefore, to sharpen and augment the poverty it really aspires to lessen. The principle on which legislation must proceed to lessen poverty is, as we now know from much experience, to remove restraints and restrictions, to permit the field of enterprise to become common and uninclosed as Nature made it, to leave the development of all the diverse faculties and powers of individuals perfectly free, assured that they are no more made in vain than the many flowers of the field. Their full development is necessary for the well-being and harmony of the whole, and the legislation which proposes to lessen poverty and its multiplied evils by any kind of restrictions is an error.

The Economist

June 7, 1856

have only recently reached £550, and the cost of living has risen many points since that target was fixed; while their pensions, now only £250, are a pittance. Their prospect would be bleak if money were diverted to the schools.

Peking Orders Nonconformity

CHINA, hitherto resistant to the post-Stalin ferment in most of the communist world, is at last feeling a touch of the new mood. The Chinese rulers, apparently alarmed that the discipline they have imposed on their intellectuals is making them sterile, have launched a campaign calling for more controversy and freer discussion among scientists and historians. The first salvos were fired on Youth Day early last month. *Jenmin Jih Pao* told students that they must rely on "independent thinking," and that they will never get anywhere if they "just say what others have said, and do what others have done." Other newspapers and learned bodies have stated the same incontrovertible fact, pointing out that "we do not have to be afraid of any consequences arising from debates and arguments, because debates and arguments only tend to reveal the truth." Chou En-lai has told a gathering of prominent Chinese scientists that they should carefully study the techniques of capitalist countries. The moral that China's intellectuals are supposed to draw is twofold: they must not be frightened of putting forward nonconformist ideas, and the communist world is not the sole repository of scientific truth.

If these propositions look like platitudes to western eyes, they mark a bold innovation in China. The punishments inflicted on Hu Feng and his literary friends last year for falling prey to the "idealist" philosophy have left their mark on Chinese thinkers. Vigorous attempts have been made in the last few months to persuade intellectuals to join the Communist party, and each new batch of enrolments is greeted with well-publicised enthusiasm. China's leaders have probably been encouraged to take a risk by the comparative ease with which they seem to be pushing through the collectivisation of the countryside and the take-over of private industry in the cities. But it is doubtful whether Mao can afford to loosen the reins very much. The new campaign has so far been directed chiefly towards scientists, and even they are told that they must restrain their originality within the bounds of Marxism-Leninism. China still has to go through a long period of economic construction, entailing great self-sacrifice and discipline for its population; and in these circumstances its leaders may well feel that it would be dangerous to let free-thinking spread.

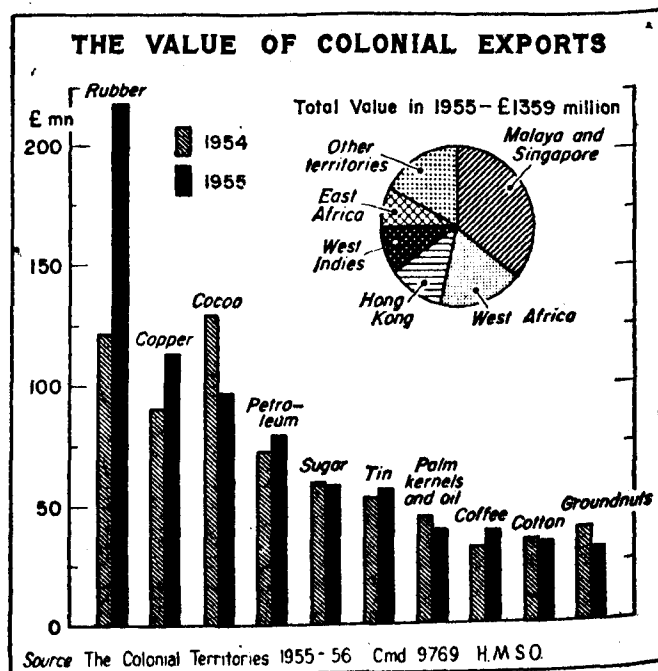
Russia's Missing Millions

POPULATION statistics have been guarded by the Russians since the war as closely as a military secret. Western estimates suggested that by 1950 the Soviet population had reached some 200 million and, since recent annual increments were officially put at 3 million, it was generally assumed that the Soviet Union now had over 215 million

citizens. Mr Khrushchev not long ago cut this figure when he referred vaguely to "about 200 million," and the reduced figure has now been made official, in answer to a query from a French socialist visitor, as the state of the Soviet population on December 31, 1955. This piece of statistical evidence throws new light on Russia's enormous losses of human life in the struggle against Nazi Germany.

In 1940, after the annexation of the Baltic states and the eastern provinces of Poland and Rumania, there were some 196 million inhabitants of Soviet territory. Mr Lorimer, in an interesting study published by the League of Nations, estimated that, without war losses, the Soviet population would have reached about 240 million in 1955—or about 215 million if an allowance of 20 million were made for losses (5 million military casualties, 9 million civilian dead, and a loss of some 6 million through excess infant mortality and the "unborn" babies). This nightmare computation now turns out to have been conservative. On any reckoning, and with due allowance for Polish migration or Soviet "non-returners," it appears that a total of some 25 million Soviet citizens, military and civilian, must have been killed by the war.

Why did the Russians keep this sacrifice secret, instead of parading their terrible wounds? Secrecy can hardly have been thought to have any domestic political value. It would rather seem that in the mood of the cold war they expected no gratitude from yesterday's allies for this human holocaust, merely a more sceptical assessment of their bargaining power. And indeed the effect on the Soviet manpower problem must have been immense, since to the list of dead must be added a corresponding number of wounded. Migration from country to town continued after the war, and the countryside has been depleted of its able-bodied men. This may partly explain the agricultural crisis and the relatively small return from investment in machinery and fertilisers. Now the Russians are pinning great hopes on automation and within a decade the postwar population "bulge" should reach working age. More confident in the future, Stalin's heirs, cursing their master for the lost legions, have lifted the curtain to permit a further glimpse of their wartime inferno.



Letters to the Editor

Economics of the Drought

SIR—I agree with your comment of June 2nd that it would be absurd to increase the investment in water supply because of the threat of a shortage from droughts of a duration and severity which statistically are only likely to recur at intervals of upwards of 100 years, and I write this at what I hope is now the end of a drought of unprecedented duration and severity for S.E. Scotland, and it may well prove for the country as a whole.

I join issue, however, with you when you suggest that to cope with the increasing demands of industry—these in Edinburgh have amounted to 50 per cent or some 5 million gallons per day during the past 10 years—the price mechanism should be invoked and resort had to the metering of household supplies. This is a suggestion which is made from time to time, but one wonders if the people who make it have ever got down to analysing the economics of domestic metering. Leaving aside the many older tenement properties in the city, where because of the plumbing layout the cost of installing a meter on the supply to each individual house would be quite prohibitive, to meter the remainder—say 90 per cent—of the domestic supplies would involve, in the case of Edinburgh, an expenditure at current prices of the order of £2,250,000, representing an annual debt charge at the current rate of interest of £118,000. To this there falls to be added the cost of the meter reading, of the additional accountancy and clerical work, and of the repair and maintenance of the meters. This would involve a further £75,000, making a total in all of £193,000 per annum. For this annual expenditure, which is only very slightly less than our total income from the domestic rate, I doubt if we should obtain a saving of 5 gallons per head at the outside, or rather less than 3 million gallons per day in all. Contrast this with what we should be able to obtain for the same annual expenditure in providing an additional supply or supplies, i.e., at least 20 million gallons per day, or sufficient to meet the needs of the city at the present rate of increase in the demand for at least the next 50 years. Much the same applies to the bulk of the water undertakings in this country.

I am fully aware that the metering of domestic water supplies is employed extensively abroad, but it is one thing to introduce a system of this kind in a new or comparatively new city, and quite another in the older cities of Great Britain. It has also to be borne in mind that in hot countries or countries with hot summers,

e.g., Australia, South Africa and the USA, very large quantities of water are used for domestic purposes, and more especially for garden watering. It is, however, only very occasionally that there is any very excessive use made of water for domestic purposes, including garden watering in this country, and any increase or saving in cost to the consumer by the introduction of domestic metering would in the vast majority of cases be reckonable in pence.

With regard to the large and increasing quantities of water which are now required by industry—these in the cases of some industries would supply a fair-sized town—water is so cheap, e.g., in Edinburgh and Glasgow about 2d. per ton (it will not always remain so) that, in general, industry is prodigal in its use. Large quantities are wasted for cooling purposes which could be re-circulated, as is already the common practice with some industrial undertakings, and the same applies to some of the water which is used for certain process purposes. What is required, therefore, is general legislation which would empower water supply undertakings to exercise some degree of control over the way in which industry uses water, including the enforcement of recovery and re-circulation where in the circumstances of the particular case it is feasible and reasonable to require this. The alternative to this would be to use the price mechanism with an ascending scale for the larger quantities of water. This would be quite justifiable on economic grounds.

As you very truly remark, it is important that the politicians should get the economics of water supply right.—Yours faithfully,
GEORGE BAXTER,
Edinburgh City Water Engineer

Fighting Talk at Harwell

SIR—In your issue of June 2nd it was stated that Harwell had "thrown the bulk of its effort" into "the simplest type of reactor burning natural uranium" and "the very advanced type of breeder reactor" ("Stage I" and "Stage III" types).

This does not in fact present the complete picture. The Authority is additionally devoting a great deal of research effort to reaching a decision on the best design for the "Stage II Reactor" which was foreshadowed in the "Programme of Nuclear Power."

Sir John Cockcroft summarised the present situation as follows in a talk to press and other visitors during the recent "open week" at Harwell:

We are already working here and in the Industrial Group of the AEA on nuclear power stations for the second stage of our programme, when we expect

to have plutonium available from Stage I to enrich the uranium fuel of our reactors. We are investigating two competitors for this stage. The first is a reactor using water to surround the uranium rods and transfer the heat. The other uses graphite as a moderator but uses liquid sodium to transfer the heat, instead of gas.

These reactors have many technical problems requiring development work—particularly due to the corrosion of the reactor materials. Their main advantage over the gas-cooled reactor is that they would have a lower initial uranium investment—and may have slightly lower capital costs. The Authority expects to build a prototype of the selected reactor by 1960, and if they prove to be attractive economically, they might replace the gas-cooled reactor stations in the late 1960s.

The potential large-scale application of breeder reactors, he said, lay further off—in the 1970s.

Sir John also pointed out that the Authority is studying a number of other advanced reactor systems, amongst them the aqueous homogeneous reactor, which uses a liquid instead of solid fuel.—Yours faithfully,

ERIC. H. UNDERWOOD,
United Kingdom Atomic Energy Authority

The Record of the Books

SIR—Book publishers will welcome your note under this heading—and doubtless a larger proportion of them than before the war are today (of necessity) amongst your readers. Our costs are even now still lower than in the United States, but what swells the export totals and often persuades an American publisher to print scholarly work here is the enterprise of the British publisher in offering to share the edition with him, or in drawing his attention to a work which might be a modestly profitable and desirable venture if shared in this way. One wonders whether the printing industry and its ancillary trades appreciate how much of the overfull employment they are now happily exploiting is due to export orders.

The settlement of the recent dispute between the Master Printers and the craft unions will involve an increase of no less than 20 per cent on all printing charges as from June 1st (following on cumulative previous increases of 18½ per cent, 10 per cent, 5 per cent, 17½ per cent, 5 per cent and 7½ per cent since 1945). Twenty per cent is a very substantial figure and is accompanied by a new increase in the price of block-making. Here there is a tight ring, so that increases in wages agreed in a happy atmosphere of mutual congratulation between employers and unions are readily passed on to the consumer. But at the end of this chain the publisher wonders how much longer it will be possible to keep up the exports with this burden on his back and whether next year's Record of the Books will read as well as last year's.—Yours faithfully,

C. A. FURTH,
George Allen and Unwin, Ltd.,
London, W.C.1

Books & Publications

Industrial Engagement

THE LABOUR GOVERNMENT AND BRITISH INDUSTRY 1945-51.
By A. A. Rogow with the assistance of P. Shore.
Basil Blackwell. 209 pages. 18s.

THIS is an objective, but not an impartial, analysis of a lengthy economic and political engagement: Mr Rogow, writing from California, makes no bones about the fact that his sympathies lie with the Labour governments rather than with British industry. Perhaps because of this, he shows more insight as a friendly but penetrating critic of Labour policies towards industry than as an observer, strictly from the outside, of industry's reactions and occasionally active policies towards the postwar Labour governments.

Naturally Mr Rogow, like any other foreign observer, sees this involved political process in sharper and more logical outlines than those who were closely concerned with it. His sketch is clear enough. A Labour party, committed to planning the economy in peace but utterly without experience of what that implied, is shown as taking power with two advantages—the existence of machinery for planning of the wartime kind, and a fair degree of public approval, even outside Labour supporters, of the idea of planning—but fairly soon forfeiting both. The machinery, bereft of the simple, overriding objectives of wartime, and insufficiently supplemented with statistical information or economic intelligence, was soon seen to be inadequate to control the economy in peace; in particular, being heavily staffed with businessmen, it was largely ineffective in inducing industry to do anything it did not like. The public sanction for planning steadily evaporated, and with it the Labour government's own enthusiasm.

As long as Labour was content to continue existing "rationing" controls, to nationalise coal and the public utilities, and to set up working parties and a Monopolies Commission to inquire into industrial organisation, British industry gave unfriendly but genuine co-operation. Once Labour moved further into the field of industrial initiative—as in the proposal for Development Councils, for the nationalisation of steel, and later for a second round of nationalisation—Mr Rogow sees British business as opposing it directly, with a sustained and effective campaign for the industrial *status quo* in general and against the nationalisation of particular industries.

"So far as the future is concerned," Mr Rogow concludes, "this analysis suggests that the issue of co-operation or conflict will be joined at every point at which power interests, rather than property interests, are sharply opposed... faced with disagreeable social change, power interests in a well-established democracy will increasingly enter the arena of politics." He sees power, not property, as the key area of conflict: "a remarkable feature of the entire period was that the most notable concessions made by industry to Government were invariably those which disadvantaged shareholders."

This is not an implausible analysis; many of the businessmen most concerned might broadly accept it. The emphasis on power rather than on property rights may seem rather an artificial distinction in the key issue of nationalisation, where most of the direct conflict took place; the British Iron and Steel Federation, for instance, has conceded to the post-nationalisation Iron and Steel Board, if not willingly at least with a good face, much of the power it strove so tenaciously to deny Mr Hardie's corporation. Moreover, business could choose to oppose only among what the Labour governments chose to propose; it might well have resisted a major capital levy, a capital gains tax, or other measures to redistribute property as bitterly as at length it began to oppose further nationalisation.

Can business attitudes towards those or any other Labour governments, moreover, be separated from the development of public opinion in general, or at least of middle-class opinion, towards such governments during their terms of office? Had not uncommitted public opinion in Britain already begun to swing against Labour policies before industry's propaganda counter-offensive began in 1949? This, perhaps as much as industry's own opposition, the inadequacies of the planning machinery or Opposition tactics in the House of Lords, tended to limit the Labour government's sphere of further operations, and even its intentions. The government, also, had meanwhile become chastened by realising the sheer dimensions of Britain's postwar economic problem; and its own vested interests in the *status quo*, the trade unions and the prospering upper working class were leaning towards moderation.

This is not to challenge Mr Rogow's view that any future Labour government might be confronted by a determined effort on the part of industry to influence public opinion, on significant issues of industrial power or perhaps

generally, through sheer distrust of the harm any Labour government might be counted upon to do industry. But not even a student of socialist strategy should exaggerate the importance of this. The primary determinant of what any radical government can do is surely the extent of "general sanction" for social and economic change—measured both in the numbers of people ready for change and in the range of radical measures that they might countenance. If that readiness for change is considerable, it is likely while it lasts to determine the tactics of existing power groups, such as industry, towards government action that they dislike; and if it is not fairly wide, no radical government would be elected anyway. If the Labour party has meanwhile settled down to becoming the alternative government of the welfare state, such a question need never arise; it may cease to annoy British industry.

Wandering Scholar

THE LETTERS OF GEORGE SANTAYANA.
Edited by Daniel Cory.
Constable. 482 pages. 50s.

SANTAYANA never secured a wide acceptance in this country. He came nearest to it with the publication in 1921 by his friend Logan Pearsall Smith, also an expatriate American, of the volume of selections called "Little Essays from the Writings of George Santayana." Santayana had welcomed the project and recognised that his work gained rather than otherwise by being anthologised. "The fact is, I write too much," he says in one of his letters.

Much of the best of the "Little Essays" comes from the five volumes of "The Life of Reason" (1901-5), afterwards condensed into a single volume. Is it still read? The volumes on "Reason in Society" and "Reason in Religion" are masterpieces of good sense and of English prose. In his later life, it must be admitted, the sage succumbed to the occupational disease of his craft and became, perhaps more profound, but certainly more obscure. Like Humpty Dumpty, he used words with private meanings and his last big book, "Dominations and Powers" is like the Athanasian God, impressive but incomprehensible.

These letters carry us from his student days in Göttingen with a Harvard travelling scholarship (1886) to his extreme old age as the guest or patient of a Catholic Sisterhood in Rome (1952). For those who like reading letters and feel drawn towards Santayana the volume is continuously agreeable. The too-muchness of his books here presents itself more agreeably as a Victorian amplitude of correspondence, and one realises that he always remained a Spaniard. Was Tennyson correct in attributing to Spaniards a "courtly foreign grace"? The exquisite urbanity with which the aged Santayana gives thanks for obviously tedious works sent to him by aspiring authors in half a dozen languages is evidence in Tenny-

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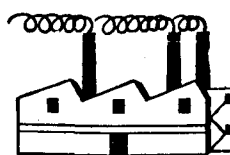
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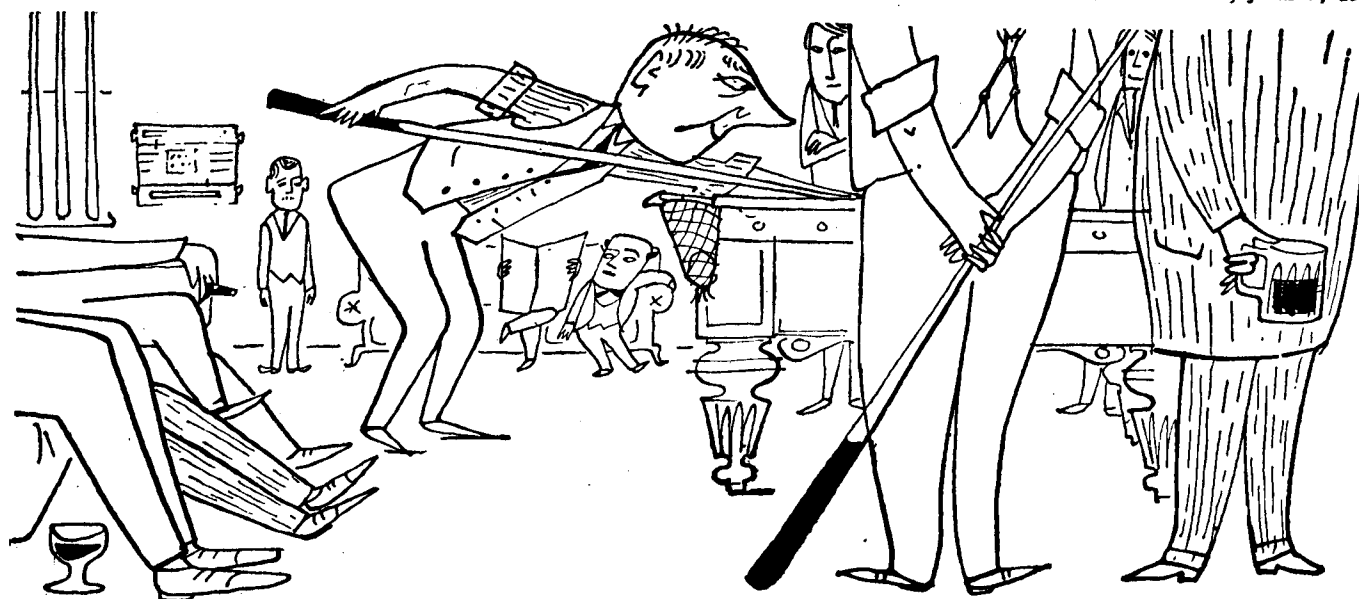
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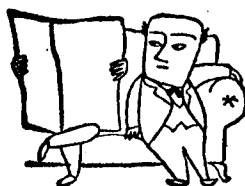


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the things they say!



I.C.I. spent more than 30 million quid last year on new plants. That's what I like to see — big ideas being put over in a big way!

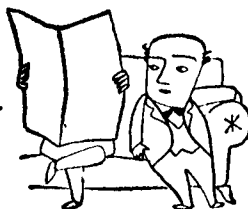
Yes, but isn't there a danger of a company getting too large?

Why so?

Because the sort of centralised control you get in big organisations kills initiative and smothers everything in red tape—costs rise and efficiency falls.

But I.C.I. doesn't work that way.

It has 13 operating Divisions, and each is largely master of its own affairs. Certainly, the end-product of one is often the raw material of another, but there's plenty of rivalry between them.



Well, if the Divisions are run as separate concerns, what was the sense in merging them?

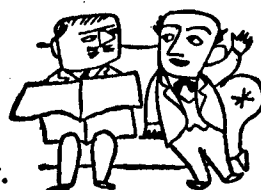
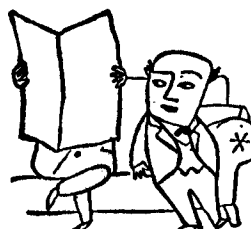
So as to make a common pool of all their research and technical knowledge — and of their buying and selling, too, whenever that could be done with advantage and economy.

Is that all?

By no means. The merger also meant that the best brains in the business would be available to plan for all. And by putting all their money into one "kitty", they made sure that their ambitious new plans wouldn't fail for lack of capital.

You sound as if you really believed in I.C.I.'s sort of bigness!

I do. I.C.I. has to be as big as it is, to do the very big job it is doing.



son's favour and also furnishes models that might be useful to other great men who have to write such letters.

The middle ages down to Erasmus furnish many examples of wandering scholars who achieved supernatural outlook. With the onset of nationalism the supply of such minds was reduced to a trickle, greatly to the detriment of European society. Santayana was in our own day a remarkable example of such a mind. Spanish by birth, American by accident, and then, after his flight from Boston in 1912, successively resident in Oxford, Paris and Rome—it all passes before one in the panorama of his letters.

A Feeling for Colour

THE COLOUR CURTAIN.

By Richard Wright.

Dennis Dobson. 188 pages. 12s. 6d.

ONE of the most necessary attainments of the western diplomat or politician—or even big industrialist—today is an understanding of the attitude of the non-white races to the white. It is an attitude that varies significantly from Africa to Indonesia, or from Japan to Samoa. But in large measure it is a reaction proportionate to the period which the coloured race has spent under white domination, or, in some cases, imagines it has. Indeed whatever any coloured race's experience of political domination may have been—and clearly China or Siam have felt it less than India or West Africa—the supremacy of western thought and technology has had a deep effect on non-white psychology, increasing the sense of political domination. It was a sufficient bond to bring together the African and Asian states that attended the Bandoeng conference, despite great divergences of interest on most other matters.

These divergences have received most of the publicity; it is the merit of Mr Wright's personal account of the conference that it examines the basic attitude which gave these countries and delegations a fellow-feeling; one that was shown in repeated denunciations of colonialism. The author had the advantage of being at once American, coloured and a distinguished intellectual in his own right, and this helped him to probe below the surface of Asian and African feelings. The result makes, at times, a rather scrappy piece of rapportage, but is nevertheless interesting as first-hand witness to the feelings of inferiority, aggression, bitterness and yet admiration which in varying degree form the compound of anti-white racism. How great a part personal experience plays in it is evident from Mr Wright's interviews; this is something that finds no parallel in white psychology—the trauma of being treated, at one time or another, as inferior, despicable, less-than-normal, or even subhuman.

Mr Wright is under no illusions about the difficulties of achieving any mutual understanding between races, especially between the white and non-white world, but his good will, and anxiety lest "coloured races of the world, unite"

should become a sterile but destructive political slogan, are evident. Perhaps what he saw at Bandoeng caused him to overrate the danger, but his views should nevertheless be treated with respect. His warnings of the danger of Asians accepting communism on entirely non-ideological grounds need no emphasis. Yet, after showing how western materialism is a point of misunderstanding between the white and non-white world, he lands himself in the paradox that though the West's difficulty is to sell its culture not its technology, the only way to sell the intangible is to step up sales—or gifts—of the tangibles. He pleads, ultimately, for a Marshall Plan magnified many times to meet Asian poverty. The implication that it is health and wealth that make a man a westerner in political thought and sympathy seems rather naively American—but coming from an American of colour this is not the least suggestive thing about this thought-provoking little book.

The Enemy Within

THE GERMAN FIFTH COLUMN IN THE SECOND WORLD WAR.

By L. de Jong.

Routledge and Kegan Paul. 319 pages. 28s.

THE essential thesis of Dr de Jong's book is that the opponents of Germany in the last war sought to excuse their early inefficiency by attributing all kinds of activities to the Nazi Fifth Column which in fact it never perpetrated. That is no doubt true. Its demonstration, however, causes Dr de Jong to seem to cry down Hitler's guilt because he has established that many of the less effective ruses that those who feared Hitler declared him responsible for were nothing but figments of their own imagination. Dr de Jong seems insufficiently aware that anti-German hysteria was more marked, certainly in Britain, during the first German war, at a time when it was certainly less justified; Imperial Germany was harsh, even brutal, but it was not ruled by a gang of peculiarly sadistic criminals who gloried in dastardly deception. One cannot help feeling that Dr de Jong has taken enormous pains to prove that a number of rumours to which no one today attaches much importance were groundless; after all, no serious military critic has suggested that the German Fifth Column greatly affected the course of the war.

A fifth column, however, was a political rather than a military device, and towards the end of his book Dr de Jong makes very plain that he does not underrate its importance as such. Indeed he goes at some length into the role of the German minorities in other countries: he knows and he shows, for instance, that Schuschnigg's Austria was undermined by Nazi conspiracy, and that the same thing was true in different circumstances of the Czechoslovak Republic presided over by Beneš. These were repercussions of the not unreasonable veto placed on Great-German unity by the victorious Allies in 1919. The far from negligible activities of the Volks-

deutsche in Poland in 1939 were due to the resurrection of the Polish state, which leading Germans had long regarded as incompatible with their own conception of the legitimate power of Germany. As for Yugoslavia, German military success there was decisively facilitated by the fratricidal enmity of Croats and Serbs; in this sense the Croats, as well as the Germans in Yugoslavia, formed an effective fifth column.

These facts, which Dr de Jong lays bare, seem of greater importance than the rumours he disproves. Looking back, a British reader may wonder whether his compatriots were not too slow to believe in the iniquities of the Nazi leaders rather than too quick to believe that German parachutists were disguised. Indeed is not Dr de Jong occasionally over-eager to write off anti-German demonstrations as purely irrational? When the Serbs smashed the windows of the German Travel Agency in Belgrade in March, 1941, it was because they knew that Neuhausen, the head of the Agency and German Consul-General in Belgrade, was also the organiser-in-chief of the German Fifth Column in Yugoslavia.

History in Film Script

MUSSOLINI: Twilight and Fall.

By Roman Dombrowski.

Heinemann. 248 pages. 21s.

TO a Polish exile, Roman Dombrowski, who was a journalist in Italy before the war, is due this not inhumane account of Mussolini's movements from the moment when Victor Emanuel III had the dictator shuffled into a waiting Italian ambulance at the Quirinal Palace (after the Grand Fascist Council's adverse vote in July, 1943) down to the shooting by the future Communist deputy, Walter Audisio, of Mussolini and Clara Petacci, his mistress, on April 28, 1945.

The book is an account of movement, as a film script might be, interspersed with sharp little bits of likely conversation, and innumerable phrases like "Early that morning," or "Edda read these instructions with a feeling of relief," or "Vittorio was silent, for he had no idea what to suggest . . .", Edda and Vittorio being Mussolini's two elder children. The book is based mainly on Mussolini's own *Storia di un anno* (an important, but tainted source). No references adorn Mr Dombrowski's book. It is therefore unhelpful to the historian and, one must add, to the normally intelligent reader, who is left with the final horror of the mob shying missiles at the corpses of Mussolini, his mistress and his immediate collaborators, hanging upside down in a Milan square, but with very little else. For a film or for television that would be enough. Not for a book. Nevertheless the author's summary of why the National Committee of Liberation desired Mussolini's death "to avoid an Italian Nuremberg trial" is true, and his pursuit of the final hours is interesting.

The story of how puppet states exist at all is bound to be a grim human chapter. Pétain's Vichy state, Quisling's

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Norway, Mussolini's Italian Social Republic with headquarters at Salò on Lake Garda cannot be dissociated. They belong to the civil war latent in the last war. Likewise the very dictatorships of Hitler and Mussolini belong to a much wider historical situation (barren as these dictatorships were). These men, like Lenin and Stalin, devised very odd methods and myths for coping with masses of mutinous disbanding armies, of unemployed, of ever-increasing populations in every industrial metropolis. Mussolini in his last months reverted to his early dreams as a socialist blacksmith's son and signed a pile of legislation making it illegal to dismiss any worker from any factory, wildly increasing workers' insurances and introducing every liberty of meeting into the workshops of Northern Italy. Once Mussolini was dead, the Communists joyously took up this legacy, and they have been fighting indignantly to uphold these anarchies in Italy's factories ever since.

None of all this appears in Mr Dombrowski's book. He endows Mussolini with a knowledge of Latin he never possessed. The Dante quotation is inaccurate, and, for the rest, we have little means of checking anything. Why has no serious historian yet tackled this not unimportant postscript to an age?

A Prominent Victorian?

STRAWBERRY FAIR: *A Biography of Frances, Countess Waldegrave, 1821-79.* By Osbert Wyndham Hewett. Murray. 292 pages. 18s.

FRANCES, COUNTESS WALDEGRAVE, daughter of John Braham, a world-renowned tenor of the eighteenth-century, was four times married: to John Waldegrave; his brother George, the seventh earl; Granville Harcourt; and Chichester Fortescue, later Lord Carlingford. The two Waldegraves died young, of a combination of inherited ill-health and alcoholic excess, having brought her great possessions, including Strawberry Hill. Her marriage to Granville Harcourt, old enough to be her father and an ineffably pompous bore, consolidated her social position. On his death she married Fortescue, whom she loved devotedly. She entertained lavishly at Carlton Gardens, Harptree, and Strawberry Hill, and she made Queen Victoria "laugh till she cried" when dining at Windsor. Dukes apparently sought her advice; Newcastle's infatuation was almost embarrassing; Bedford invited her suggestions for Cabinet-making; while the Duke of Orleans wanted her to plan his propaganda in France. No wonder the Encyclopaedia Britannica described her as "socially prominent."

But she is not prominent enough in this biography. Her beauty is revealed by two portraits; she undoubtedly inherited a vivid and compelling personality from her father; yet she seldom comes alive. Lost in a crowd of guests, she emerges occasionally to contribute a shrewdly amusing remark, and is swallowed up again by a fresh influx of visitors, who are brought on and off

the stage with an irrelevance reminiscent of the Guelfs and Ghibellines in Max Beerbohm's parody "Savonarola Brown." And one is left wondering whether her professed interest in politics was anything more than a devotion to her friends' careers.

The publishers state that while Mr Wyndham Hewett, an enthusiastic collector of Victoriana, was preparing to write a social history of mid-Victorian Britain, he was so intrigued by constant references to Lady Waldegrave that he "set to work with ten thousand letters to, from, and concerning her, lent to him by Lord Strachie, to give some idea of the superb creature." Sometimes he succeeds; but he might have presented a more convincing picture if he had remembered that "the essence of Art is selection."

Shorter Notices

CZECH TRAGEDY.

By Glorney Bolton.
Watts. 252 pages. 21s.

The history of the Czechs and Slovaks has rarely been lacking in dramatic or tragic episodes; and this book, which covers in varying detail about the last fifty years of their story, has its full share of both drama and tragedy. It is a study of the lives of three great Czechoslovak leaders—Thomas Masaryk, the philosopher-statesman who became the first President of the Republic; his son, Jan Masaryk, who returned to his country as Foreign Minister after its liberation from the Germans and suffered a mysterious "defenestration" shortly after the Communist coup in February, 1948; and Eduard Benes, the elder Masaryk's successor as President, who was forced to play the leading role first in his country's submission to Hitler and then, nearly ten years later, in the even greater tragedy—because fellow Czechs and not alien Germans were responsible for it—of its submission to Communism.

The author worked with President Benes and Jan Masaryk during the war years in London. He has a vivid appreciation of the strains to which the Czech character is subjected by its attraction towards both western liberalism and the great Slav country, Russia, as well as by its admiration for the two national heroes—Zizka, the fifteenth-century Hussite warrior leader, and Chelcicky, the passive resister, who in the same century urged that to oppose violence actively is useless. Mr Bolton does not claim to add to our knowledge of the events he describes, but he writes with insight and sympathy (which is not wholly uncritical) of the leading actors. His somewhat staccato and impressionistic style is more successful when dealing at close hand with Czechoslovak affairs and personalities than when sketching in the wider background.

★

THE FEDERAL REPUBLIC OF GERMANY.

Her Majesty's Stationery Office. 12s. 6d.

This is the first economic survey of Germany to be published by the Board of Trade since 1935. It is a comprehensive handbook which gives data on all the most important aspects of the Federal Germany economy. Special attention is paid to all matters of interest to British traders, and it is shown that there are good openings for selling British manufactures in this expanding market.

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.

Recession Talk

Washington, D.C.

RECESSION is being talked about a great deal in the United States, and most, although not all, economists, whether in or out of the government, now expect some decline in activity in the third quarter of this year. But two words of caution are necessary: first, it is hard to remember a time of more uncertainty and confusion about the outlook; second, there is a widespread, and perhaps preponderant, belief that growth may be resumed in the fourth quarter. If that happened, a contraction in the third quarter would scarcely qualify as a recession.

The present nervousness is paradoxical in many ways. The economy is still operating at an extremely high level, and in general prices are still strong—some are weakening but some others are strengthening. There is, to all intents and purposes, full employment; such developments as the slump in automobiles have not prevented an actual reduction in total unemployment so far this year. Demand in several major sectors is not only strong but shows signs of mounting as the year progresses. And the Federal Reserve System is still operating as though inflation, not recession, were the threat; true, the "Fed" appears to be on the verge of a gentle shift toward slightly easier money this month, but even that would leave the banks under substantial pressure.

To many foreigners, who presumably will not forget 1929 for at least a century, the stock market is still apparently the measure of the American economy, and the stock market has indeed taken a severe tumble in the past three weeks. Presumably this tumble is to an important extent attributable to the sudden surge of feeling that economic activity, and hence business profits, are due for some decline. Yet stock prices had been rather dizzily inflated before the recent setback, and some sort of reaction was almost bound to occur. What is more, the market so far has shown no sign whatever of panic—indeed, it was stabilised last week after some three weeks of decline.

By far the most impressive reason for expecting a dip in activity in the months immediately ahead is a familiar one: inventories. A glut of stocks started both American postwar recessions, and something of a glut has developed over the past year. Altogether, the value of stocks is now about \$6 billion higher than it was a year ago and at a record level. Sales are not far short of a record, which means that the stock-sales ratio is still not as high as it was before the 1953 recession. However, the composition of inventories has been shifting, and they now consist more of finished goods than of raw materials or work in process; this is a

clear signal of reduced buying to come. The most perfect example is found in steel: there is a virtually unanimous belief that customers have built up stocks to guard against a certain rise in price this summer and a possible strike. Nobody expects steel operations in the third quarter to remain at the near capacity level of the first half of 1956, although, paradoxically, some products are sure to be tight throughout the year.

Elsewhere, the weaknesses have been apparent for some months. Automobiles are having a bad time (though only by comparison with last year), with 185,000 workers laid off and stocks in the hands of dealers at a record 900,000 cars. Model change-overs will probably come toward the end of the third quarter, and so no recovery is expected in this important, but far from critical, sector until the autumn. The motor slump has had minor ramifications in steel, rubber, textiles and copper products, though all of these industries are so diversified that they have weathered Detroit's squall remarkably well. The number of new houses started has also been running behind last year; mortgage money remains extremely tight, and buyers for homes are a little more difficult to find than they have been at any time since the war. Perhaps the key point here, however, is that housing starts over the rest of the year are as likely to rise gently as to decline. There have been scattered layoffs in the textile and clothing industries and in plants making household appliances. As a generalisation, it can be said that retail sales, while still running a shade ahead of last year, have been disappointing; this, indeed, is the cause of whatever suffering there has been thus far at the manufacturing level. With all this, some sensitive prices have weakened, led by copper, steel scrap, rubber, and lumber. And although unemployment remains relatively low, at only 3.9 per cent of the labour force (compared with an average of 4.0 per cent in 1955), the work week has shortened to an average of 40.2 hours, compared to a peak of 40.9 at the height of the boom last autumn.

★

But the macro-economists, with their sights trained on the broad sectors of demand, can find good reasons for concluding that there need be no real recession at all. The evidence is impressive. To begin with, total personal income is at a record rate of \$31.5 billion a year, in spite of the slight falling-off in factory workers' take-home pay. Indeed, only one out of every four labourers in the United States works in manufacturing, a point which is widely

overlooked abroad. This kind of income is almost a guarantee of strong consumer demand, even though more of it than ever before is required to pay off debts incurred in the past. What is more, there is every likelihood that as the year goes on, substantial wage increases will add to the income flow. Spending by state and local governments has been going up steadily for years, and will continue to do so this year. Purchases of goods and services by the federal government have stopped declining and are about to rise gently. And then there is the *pièce de résistance* of the optimists: the fabulous plans of businessmen to spend this year on new plant and equipment some 30 per cent more than the record \$28.7 billion of last year.

Other signs of health include a slight upturn in new orders received by manufacturers in April, after four months of decline, the certainty of record levels of non-residential building and, perhaps as important as any, the rather abrupt end of the decline in farm prices. These have risen for five consecutive months and are now at the same level as they were a year earlier, for the first time since 1951. If farm income is stabilised, this will remove a depressant factor that had been becoming cumulatively worse.

Perhaps the greatest hazard in forecasting the American economy is a disposition to pay too much attention to sectors such as automobiles or housing or farm incomes—none of which accounts for more than a fraction of the gross national product. For example, consumers spend almost three times as much on services as they do on all the consumer durable goods put together. Still, when about a hundred and fifty of the country's leading businessmen, accompanied by their platoons of economists, met two weeks ago in Virginia as the Commerce Department's Business

Advisory Council, word seeped out that they were nearly unanimous in expecting business in general to be worse in the third quarter. Few of the government's experts are disposed to disagree with them. And yet it was only three months ago that new reports on plans for spending on plant and equipment, which have since been revised upwards again, were leading some of these people to predict a gross national product of \$410 billion for 1956, with activity constantly rising during the year. In short, an accurate forecast is more elusive than ever this year; it would not be too surprising if the famed third quarter contraction never materialised at all.

After California

MR ADLAI STEVENSON must feel like a man who has emerged victorious, if somewhat worse for wear, from a lion's den only to find himself in a bear pit. For although his spectacular triumph in the primary election in California has all but eliminated Senator Kefauver, Mr Stevenson is still a long way from having clinched the Democratic presidential nomination. In fact, the eclipse of Mr Kefauver makes Mr Stevenson the principal target for other ambitious Democrats and the long, bruising battle against the Senator from Tennessee has left its mark. Not only did Mr Stevenson have to descend to the lower levels of American politics where candidates prove their fitness by kissing countless infants, eating soggy lunches on fair-

grounds and insulting one another, but Mr Kefauver forced Mr Stevenson to equivocate on difficult issues and to adopt a middle-of-the-road stand. No doubt Mr Stevenson's moderation helped him to defeat Senator Kefauver in such states as Florida and California. But powerful Democratic leaders—including Mr Truman—believe that President Eisenhower already occupies the middle of all possible roads and that the only Democrat who has a chance in the November elections is one who is prepared to keep firmly to the left.

The question is whether any of Mr Stevenson's rivals will be able to catch up with him now that California and his victories in other primaries have put him well in the lead. Mr Stevenson needs 686½ votes out of the total of 1,372 to be nominated by the Democratic convention. Far ahead of his nearest rival, Senator Kefauver, as he now is, he remains several hundred votes short of that total. Mr Stevenson must still win over as many as possible of the 370 delegates who have already been chosen but are not committed to any candidate and he must still seek for support among the 238 delegates who have yet to be selected by Democratic state conventions or party committees. It looks, therefore, as if the national convention in Chicago will be "wide open" and as if Mr Stevenson will have a difficult time of it should he not be carried over the top during the early ballots.

That situation favours such potential candidates as Governor Harriman and Senator Symington of Missouri. Mr Harriman now seems the most dangerous of Mr Stevenson's rivals. An outspoken radical, he enjoys Mr Truman's backing and he has at his command one of the smoothest political machines in the country. The main obstacle to his nomination is the hostility of southern Democrats who would rather leave the party than vote for a man who has spoken of using federal troops to enforce racial integration. These Democrats and many other moderates will probably support Mr Stevenson. If the latter's bandwagon does not get rolling, however, they may settle on a compromise candidate such as Mr Symington. But how many Democrats believe that anyone really can defeat that man in the White House?

Too Hot to Strike

THIS year's wage negotiations between the United Steelworkers and the steel producers have unusual aspects. For the first time, the United States Steel Corporation, the Bethlehem Steel Corporation and the Republic Steel Corporation—which between them account for nearly 55 per cent of total annual production in the United States—have agreed to bargain jointly with the union. Although representatives of the industry insist that settlements will be concluded separately, this joint session is acclaimed by Mr David McDonald, the president of the steelworkers' union, as a first step towards industry-wide bargaining. Secondly, it was decided that much of the negotiations would take place in New York—a neutral territory removed from the strong pressures generated in Pittsburgh, the steel capital.

There are indications that both sides are genuinely anxious to arrive at a settlement well before the deadline that falls at midnight on June 30th. Whether this laudable aim

can be achieved is less certain, for Mr McDonald and the 650,000 workers whom he represents are asking for a great deal. Foremost among their demands are the supplementary unemployment benefits which Mr McDonald's main rival, Mr Walter Reuther, obtained last year from the automobile industry and which the steelworkers themselves have already won from the food canners. The union is also asking for a "substantial" increase in wages, extra pay for Saturday and Sunday work—an issue on which it may prove difficult to reach agreement—further health and welfare benefits and a clause specifying that all men employed in the basic steel industry must join the union.

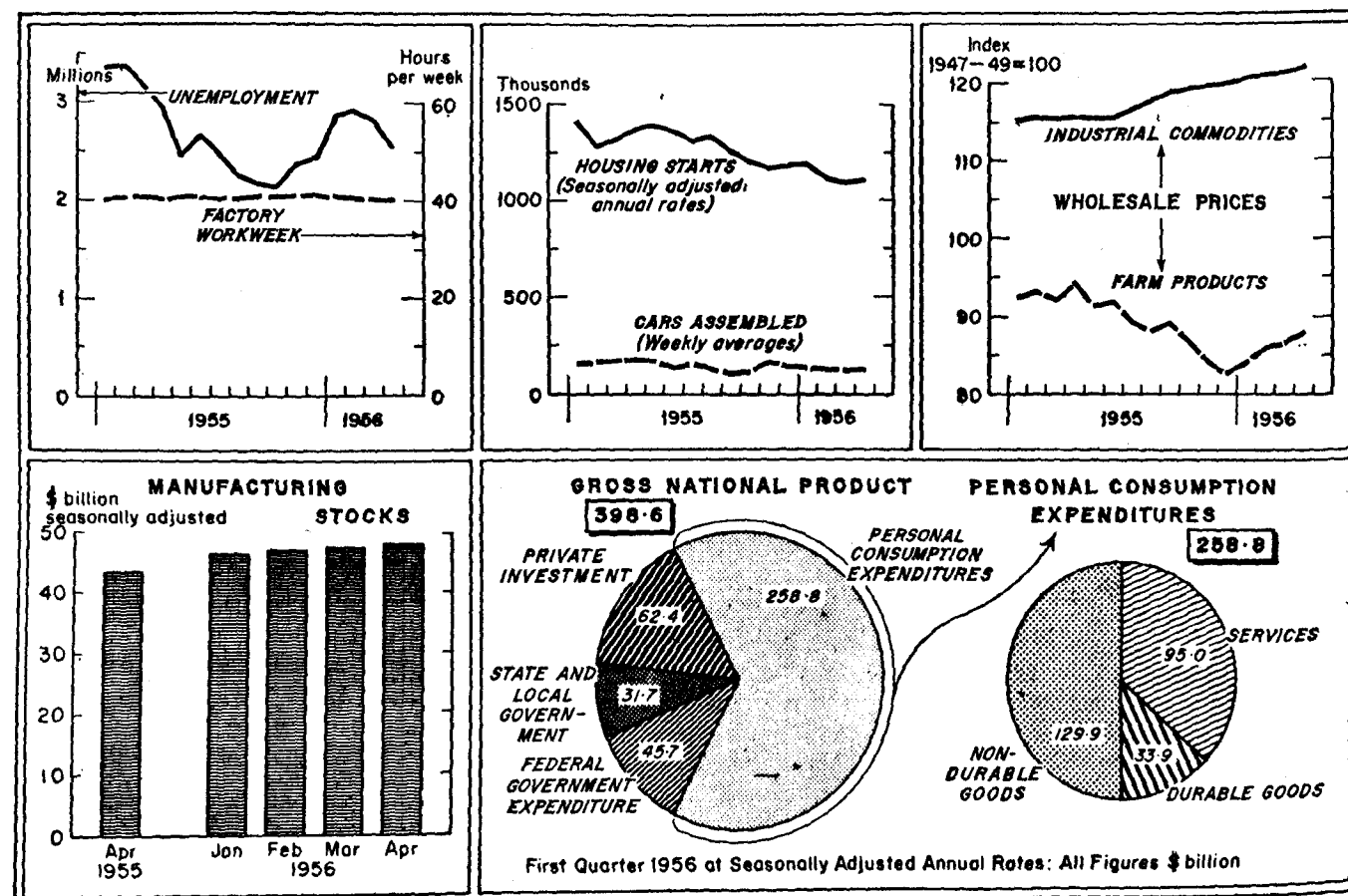
The steel producers have pointed out that these demands will force them to increase the price of steel still more and will have an inflationary effect. For not only will costs rise correspondingly in the many industries using steel, but union demands elsewhere will follow the pattern set by Mr McDonald. It is expected, moreover, that the combination of high stocks—accumulated in the fear of a rise in prices or of a strike—and the slump in the automobile and related industries will bring a substantial decline in orders for steel in the third quarter. Already customers are beginning to cancel orders and many more cancellations are expected if there is no strike. At the same time, however, labour leaders know that a rally in steel demand is expected in the fourth quarter and that total output for 1956 will probably equal that of 1955, a record year. Furthermore, steel profits in the first quarter of this year ran to \$312 million—a marked increase over the first quarter of 1955. Mr McDonald is expected to drive a hard bargain.

A Mess of Benefits?

AS the steel workers began to press for a similar arrangement, the automobile workers were lining up to draw the first payments from their employers under the plan for supplementary unemployment benefits which was negotiated as part of their wage settlement a year ago. The scheme is being put to an unexpectedly severe test at a very early stage, even though it is being brought in by degrees and even though by no means all the 185,000 automobile workers who are now unemployed qualify for the benefits. Only people who have been laid off since May 1st by the General Motors, Ford and Chrysler companies are eligible and only if they live in states where it has been decided that the scheme does not conflict with the local unemployment compensation law. Seventeen states have now decided that it does not and, from the automobile workers' point of view, the only important exceptions are Ohio and Indiana. In these two states it has been held that the supplementary benefits constitute wages within the meaning of the state law and that therefore workers receiving them are not qualified to receive compensation from the state.

What the employer supplements is the unemployment compensation paid by the state, which is to be brought up to 65 per cent, for the first four weeks of unemployment and 60 per cent for the next twenty-two weeks, of the workers' normal take-home pay, that is, of his earnings after taxes. Since state compensation varies from \$25 to \$45 a week, the employer's contribution will also vary and

The American Economy



may in some cases come to the maximum of \$25. Furthermore, the employers will have to pay more to a single man than to a married one with dependants, since the latter draws more compensation from the state. Finally, the amount which the worker is entitled to draw from his employer depends on his length of service and on the financial status of the supplementary unemployment fund. These funds are being built up by the companies at a rate of 5 cents for every man hour worked, but they have not yet reached the totals necessary to enable benefits to be paid to laid-off workers over the full twenty-six weeks. Many of the people who started to draw benefits this month will have exhausted their credits under the plan in a few weeks. The automobile companies are doing their best to make this complicated arrangement work, opening special offices and training special staffs to deal with it. But it will not be surprising if, after his first taste of the much-advertised scheme, the average automobile worker feels that he has traded a solid wage increase for a mess of supplementary unemployment benefits—and if other trade unionists decide that he made a bad bargain.

Republicans Despite Ike

FROM A CORRESPONDENT IN WISCONSIN

IT is often said of Wisconsin Republicans that "they like Ike, but don't like what Ike likes." In the wake of the Republican state convention which took place in Milwaukee on May 25th and 26th, even the first of those two sentiments looks dubious. For in many ways the Wisconsin convention brought into sharp focus the great gap that still divides the Republican "Old Guard," particularly in the midwest, from the Eisenhower wing of the party. In its most spectacular action, the convention turned with a vengeance on Senator Alexander Wiley and denied him endorsement for re-election, precisely because he had vigorously supported Mr Eisenhower's foreign policy, as the senior Republican on the powerful Foreign Relations Committee.

After praising the Administration for restoring "honour and dignity to our nation's capital," and for providing "leadership characterised by integrity, morality and devotion to duty," Wisconsin Republicans denounced some of the most important goals of that same leadership. One resolution warmly endorsed the notorious amendment to the Constitution which would curtail the treaty-making powers of the President, which both Mr Eisenhower and Senator Wiley have gone all out to defeat. Another praised the McCarran-Walter Immigration Act and opposed the Administration's attempts to liberalise the law. A third resolution criticised the Organisation for Trade Co-operation, of which Mr Eisenhower has asked Congress to allow the United States to become a member.

Here, then, was a party officially committed to work for the re-election of Mr Eisenhower in November and quite aware that without him the Republican cause might be doomed—but it still was a party whose soul remained isolationist. In fact, the contents of the resolutions and the platform adopted in Milwaukee were no surprise. It was the dramatic, eleventh-hour overthrow of Senator Wiley that came as a shock, for it had been widely believed that Mr Wiley would win a lukewarm endorsement for his fourth

term. The Senator had been viciously attacked when he appeared at local party meetings in the weeks preceding the convention. On May 6th, Wisconsin's Young Republicans repudiated Mr Wiley and asked the party to endorse "a candidate whose position more closely resembles the state Republican philosophy." Supporters of Senator McCarthy kept sniping at Mr Wiley because he had not voted when the Senate censured his junior colleague in 1954. Nevertheless, the belief that Senator Wiley would survive was strengthened, nine days before the convention, when his chief rival, Mr Mark Catlin, speaker of the Assembly in the State Legislature, was dealt a staggering blow. Mr Catlin was charged with accepting more than \$5,000 from state prison inmates to use his political influence in obtaining their release.

It was obvious as the convention opened that Senator Wiley himself was confident of his eventual success. He ignored the attacks made upon him, calmly recited his record of support for President Eisenhower, and called for Republican harmony in the interests of victory next November. At a late hour, however, a group of his foes—party leaders and industrialists—decided to launch a boom for Mr Glenn Davis of Waukesha, who has been a Congressman from Wisconsin since 1947. Mr Davis, a handsome 41-year-old lawyer, is an effective campaigner and close friend of Vice President Nixon. His record is unimpeachably isolationist. Earlier this year, Mr Davis considered running against Senator Wiley, but abandoned the idea after a public opinion poll showed that Mr Wiley was ahead of him by a three to one margin. At the convention, however, and after his supporters promised to raise \$150,000 for his campaign, Mr Davis agreed to stand and on the third ballot he was endorsed overwhelmingly, with 1,795 votes to 481 for Mr Wiley.

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Endorsement by the convention is not tantamount to nomination in Wisconsin. Senator Wiley can run against Mr Davis in the Republican primary election on September 11th, and many observers believe that he can win the nomination, even though, as a result of the convention, he will not have the backing of the party machine in the state. After his defeat, Senator Wiley recalled two previous occasions on which unendorsed candidates had won at the polls. Moreover, he will probably receive a large vote of sympathy from Republicans appalled at the shabby conduct of the convention. Mr Wiley will also get substantial help from Wisconsin Democrats, who have no contest for their own senatorial nomination and who will welcome the opportunity to deal a blow at the state's Republican organisation. Under Wisconsin law, there is nothing to prevent Democrats from voting on the Republican ballot in September.

So Senator Wiley could prove a strong candidate, if he campaigns on the record of his support for President Eisenhower and the opposition to him of "the bosses" and "the party machine." This kind of appeal has long been effective in Wisconsin. On the other hand, Mr Wiley faces a formidable fight. Against him will be most high party officials, all pro-McCarthy elements, unreconstructed isolationists, a vigorous candidate and a sizeable campaign fund. Some observers actually believe the Republican National Committee and the Administration might attempt quietly to persuade Mr Wiley to withdraw in the interest of party harmony. This seems incredible in light of Mr Wiley's



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Urgently this country needs faster, cheaper, more efficient railways. In the huge modernisation scheme newly-begun by British Railways priority has been given to dieselisation, and that means — oil.

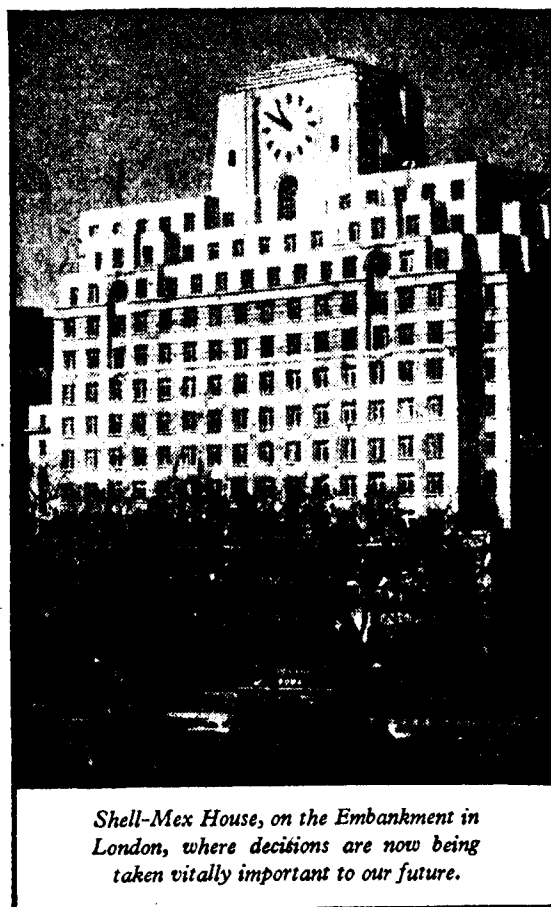
Big decisions these, high-level decisions, long-term decisions. They confirm oil in its new status. Once used primarily for traction and no more than an auxiliary of coal in wider industrial uses, oil now becomes complementary in the fullest sense to Britain's traditional power source, coal.

It is an inevitable development. Other power sources, notably coal, though stretched to the utmost, have been unable to meet the nation's swiftly-growing demands. At this critical halfway juncture of the 20th century, oil is the only power source readily available in rapidly expanding quantities.

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enterprise, an adventure typical of the men behind it, the men who went on to build the giant Shell-Mex and B.P. organisation.

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Incredible in thinking of oil to recall that within a lifetime responsible men were disputing the Royal Navy's plans to convert from coal-burning ships to oil burning. Yet bitter was the controversy when the First Lord, then plain Winston Churchill, announced the change. That was some 50 years ago, soon after the first vessel to carry a cargo of oil to Britain had sailed into the Thames.

How many people appreciated the significance of that first cargo? It was a pioneer

faithful service to Mr Eisenhower, but the latter has not chosen to help his loyal supporter, and is adopting a position of pious impartiality.

Events in Wisconsin show how completely Mr Eisenhower and his team have failed to turn Republicans in the midwest into moderates or internationalists. But it should be remembered that the convention delegates are party leaders, and their views do not always represent those of a majority of ordinary voters. It would be rash, therefore, to conclude that Senator Wiley's setback represents a return to pre-war isolationism on the part of midwestern voters generally, or even of most Republicans in a state which, only two months ago, gave President Eisenhower a margin of 100,000 votes over his lone Democratic rival, Senator Estes Kefauver, in the presidential preference primary.

Raising Cain

Washington, D.C.

UNDER pressure from the press the President has agreed to see Mr Harry Cain, the member of the Subversive Activities Control Board who has been waging a one-man campaign to expose the follies and inhumanities of the Administration's internal security system. It is just possible that Mr Eisenhower listened attentively to what Mr Cain had to say. But the auguries were not good, partly because Mr Cain felt obliged to make a public issue of his inability to fight his way past the watchdogs at the White House door, but mainly because the President has long seemed insensitive to the moral issues which are involved.

To the pain of his admirers the atmosphere of the President's press conference changes as soon as a question of fair treatment for an individual in the government service is raised. The usual easy relationship switches to one of brusqueness on Mr Eisenhower's part and a mixture of frustration and embarrassment among the normally respectful newspapermen. Three weeks ago there was a reference to the latest of several cases publicised by Mr Cain, in which a man's career has been wantonly wrecked on the flimsiest of evidence. The President replied coldly that "periodically they bring before me what has been going on, usually not in terms of names but in terms of numbers."

It was after this that Mr Cain declared that the President was being "fed varnish." Moreover, as Mr Cain presumed that he would not be reappointed to his official job, he wanted to see the President once before he left. As a presidential appointee Mr Cain is theoretically entitled to have access to the White House. But to the staff there he must seem an exasperating fellow. Mr Sherman Adams, the chief presidential watchdog, has given him "unshirted hell" for showing lack of "loyalty to the team." Nevertheless, Mr Cain remains in the government because members of the Subversive Activities Control Board are appointed to a fixed term and cannot easily be removed until its end, which in Mr Cain's case is in two months' time.

But Mr Cain's mutiny is ironic. When he was appointed to the board, he was known as a wild McCarthyite Senator who, to the great joy of all liberals, had been badly beaten for re-election. Further, as Mr Adams has sharply reminded him, the board itself has nothing to do with individual

security cases but is set up to try, with full legal safeguards, organisations that are charged with being Communist-run. But Mr Cain was converted and "caught religion" in January of last year and his vigorous attempt to have the whole security system revised has benefited from an official title that gave him authority to talk on this subject and a political record that made it impossible to dismiss him as "soft on Communism." Above all, his feverish eloquence has been combined with great shrewdness in the choice of the security cases to publicise.

Grotesque abuses are thoroughly documented in the portfolio which Mr Cain kept ready for his summons to the White House this week and it is difficult to see how any fair-minded President could reject his proposals. He wants charges against civil servants to be specific, defence counsel to be provided, and hostile witnesses to be produced for cross-examination unless they are genuinely important informers, in which case they must still be interviewed in private by the hearing board. The final determination in each case should be speedy and should be accompanied by a full list of reasons, to form the basis for an appeal. Furthermore, many agencies should be exempted from security regulations altogether and the Attorney General should either revise and qualify or simply withdraw his indiscriminating list of 283 allegedly subversive organisations. Only a tiny proportion of these have ever been put on trial before Mr Cain's board and many a worthy official has been ruined by a fleeting and innocent connection with one of them.

Ploughs Come Full Circle

AMERICAN farmers will soon be ploughing growing crops back into the ground under government auspices, something they have not done since 1933, when a much-criticised Democratic Secretary of Agriculture, Mr Henry Wallace, desperately attempted to relieve the agricultural depression by paying farmers to destroy their cotton. Now it is a Republican Secretary, Mr Ezra Benson, who has been forced to do the same thing by the long delays in the passage of the new Farm Bill. By the time it was signed, farmers had already planted most of their crops for this season and ploughing under was unavoidable if the soil bank scheme, which is the crux of the new legislation, was to be of any help to them this year. Mr Benson has therefore announced, with some reluctance, that farmers whose crops are not yet far advanced will be able to join the soil bank at once and will be compensated by the government for land taken out of the main surplus crops—cotton, maize, wheat, rice, tobacco and peanuts.

The payments will probably range from about \$24 an acre for land on which wheat would have been grown to \$60 or more an acre where cotton has been ploughed under. Whether this will appeal to farmers who make a profit of as much as \$100 an acre when they send their crops to market remains to be seen. On the other hand, there is some fear, for this year at least, that farmers in Iowa and elsewhere, whose crops have suffered from drought, may regard the soil bank merely as a new form of relief. The intention is that the payments should make up the income lost by taking out of cultivation land which would otherwise have

been growing surplus commodities. The soil bank should not, therefore, mean any immediate increase in farm incomes. This will not come until later, when agricultural prices have been stimulated by the removal of the surpluses which now overhang the market.

The removal of these surpluses is the real purpose of the soil bank scheme; this explains why it is considered to be such a constructive approach to the farm problem. The acreage reserve section, with which Mr Benson has now made a small beginning, is an annual affair. To qualify for payments from the government, farmers must leave the land taken out of surplus crops entirely idle, not even grazing cattle on it. The conservation reserve section is a long-range proposition, under which farmers will agree to grow grass or trees, over a period of from three to fifteen years, on land which would normally be planted to surplus crops. If the soil bank does what it is supposed to do, farmers will be depositing fertility in their land instead of unwanted commodities in the government's storage bins.

Research Business

FROM A SPECIAL CORRESPONDENT

THE United States Steel Company's research centre at Monroeville, Pennsylvania, and the General Motors Corporation's technical centre in Warren, Michigan, were formally opened in May, the latest chapters in the American success story of the business of research and research for business. The impressive increase in scientific and technological research activity during the war has been vastly expanded in the last ten years. The total amount spent rose from \$900 million in 1941 to \$1,520 million in 1945. Thereafter, with only a slight levelling off in 1949, the annual rate of increase was roughly \$300 million and expenditure in 1955 came to \$4,200 million. It promises to be higher still this year. The federal government provides the lion's share of the funds and industry does most of the spending. In 1951 a census, which covered approximately 85 per cent of all industrial research and development, showed that while the aircraft industry conducted the greatest portion of its research at government expense, manufacturers and designers of electric machinery were the highest spenders. This industry, which includes telecommunications and electronics also topped the list of company-financed research projects in 1951, contributing \$185 million to their total cost of \$431 million.

Although there may be no attempt to correlate an increase in sales with research expenditure, full order books, as automation grows, help to persuade stockholders that research is a sound investment. The drive for new products and improved methods, coupled with very generous tax concessions, has given industries a vested interest in solving problems, or having problems solved for them. In spite of the increase in the research facilities of both government and manufacturers—more than 4,000 companies now have research laboratories—a good deal of the work is farmed out under contract to various specialised agencies. Consequently the profession of research consultant has flourished and several hundred companies now do research for profit.

The universities and the non-profit research foundations, such as the Mellon, Armour, Battelle, Southwest and Midwest Research Institutes, also play an important part in

the great alliance between brains and industrial progress. Most of the foundations have been privately established and endowed through the efforts of a small group, a family or a business, often for the benefit of the locality with which the donors are connected. In that contributions to their endowment and supporting funds are tax-deductible, they count as charitable organisations, but they are run on businesslike lines. Their work ranges from specific problems affecting the region they serve, to long-term projects in the social as well as the natural sciences. Their volume of business varies from just over \$1 million to more than \$10 million a year, mostly from government and industrial contracts; profits, if any, are used for further development. These regional bodies differ from such mammoth patrons as the Ford and the Rockefeller Foundations in both size and intent, but they share a common belief in the important contribution to be made by research to continued prosperity.

The nature and extent of the scientific and technological studies currently under way in the United States defies description. Even an account of such diverse achievements as the Salk vaccine, the solar battery, the discovery and synthesis of the "miracle" drugs, the atom-powered submarine and the breeding of Santa Gertrudis cattle, would give only a small hint of work in progress. It is reasonable, however, to assume that the bulk of the effort and resources are going towards applied rather than fundamental research. This is inevitable, since every answer to a basic problem sets off a chain reaction of further questions, frequently starting with "what can we do with it?" The concern now being-voiced is whether enough effort is being put into finding answers to basic problems of today which are sufficiently provocative to inspire future activity. It is difficult even to define the difference between fundamental and applied science but, given a fairly loose interpretation, it is estimated that more than 3 per cent of the total funds expended on research are used for fundamental work and that most of the latter is being done in the universities and institutes of advanced studies.

Critics of the present state of affairs are concerned with two main problems: to secure a larger share—perhaps 10 per cent—of the total funds for fundamental research, and to improve the climate in which it is conducted. The usual method of obtaining funds is to approach the government or some other philanthropic body with a plan for a particular research project. In making out a case, reference must often be made to the value of the results in terms of practical utility and the likelihood of a fairly rapid demonstration of progress. This has tended to concentrate work on large-scale projects with obvious "appeal," and to favour research teams rather than individuals. The difficulty of making grants to private persons, rather than organised groups, is recognised, but at least two of the foundations, Ford and Guggenheim, are supporting individual projects in the social sciences. Reports of government expenditure, moreover, include an increasing number of grants for graduate and post-doctoral studies in the natural sciences.

The financing of fundamental inquiry, however, is not as great a problem as finding the people to undertake it. There are many reasons for the shortage of scientists: one is the conflict between scientific principles and the expedients of national security, but another may be the national inclination to put a premium on palpable achievement, and to believe that the man who "sits and thinks" more often just "sits."

THE ECONOMIST, JUNE 9, 1956

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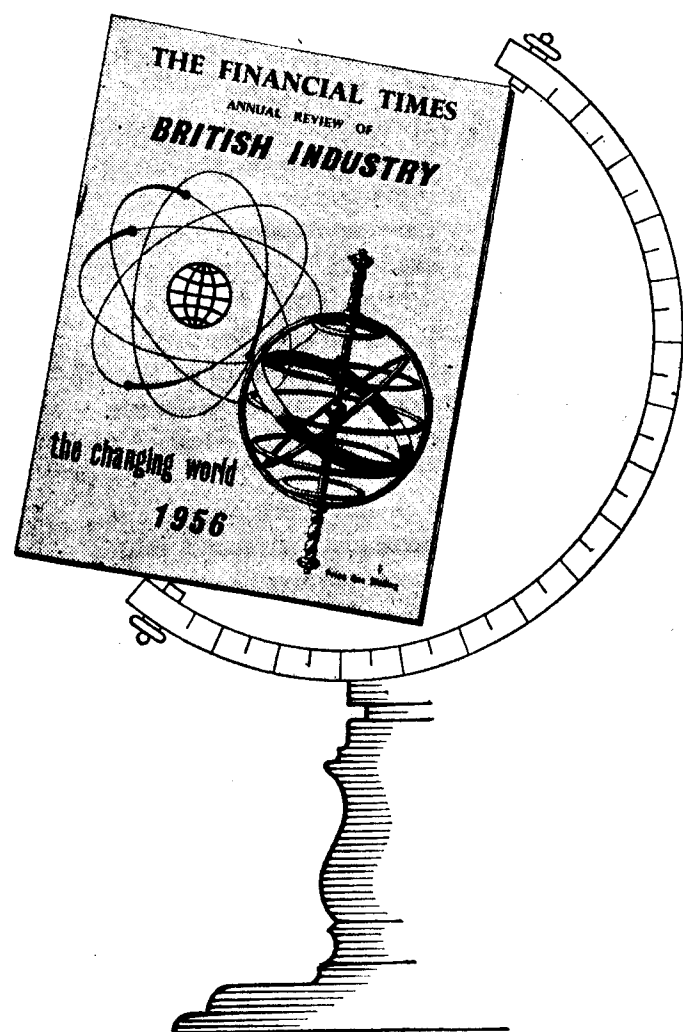
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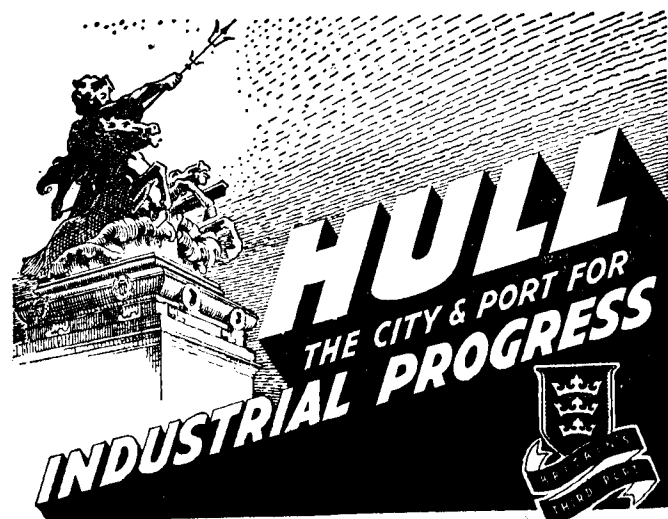
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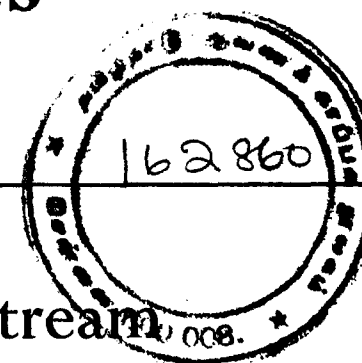
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Algerian Crisis in Midstream

FROM OUR PARIS CORRESPONDENT

THE two defections which the Mollet government had most to fear have come about. M. Mendès-France has gone into the desert, wrapped in thunderous silence, and the Communists have withdrawn their support on Algeria; they hope to force their policy and the Popular Front upon the government by tunnelling away among the Socialist workers. For the moment the change is not dramatic. The government has a much narrower majority in the Assembly than it had, but remains firm enough because no one wants its shoes. The prospects for the future now depend, in part, on how far the Socialists can exploit their indispensability as part of any government, and, in part, on whether M. Lacoste can be successful in Algeria quickly enough to prevent Communist and mendèsiste pressures on the Socialist party from transforming the government from within. The significance of the great debate on the government's general policy—in fact a rather tame affair which produced few ideas from the floor and, perhaps inevitably, fewer and slighter hints of the government's intentions than some would have wished—was chiefly that it gave a preview of the balance of forces to come.

Of these, the force least easily controllable from Paris is that generated by events in Tunisia and Morocco. The danger that Algeria will be more interdependent with them than any one of them is with France is bound to put a continuous strain on the government's relations with the Right. Already, there is interaction—or, not to mince words, interdependence—between the rebels in Algeria and a Moroccan freelance "army of liberation" that virtually controls the area just inside the Moroccan border. Yet here is M. Mollet stamping on the Algerians (a technique that the Right applauds) while signing conventions with the Sultan, although the latter has not full control over his borderlands (a technique that it deplors). No wonder that the Right pulled its punches during the debate. Its mind is twisted with paradoxes and vicious circles and will remain so while the Algerian revolt continues to sow insecurity beyond Algeria's borders. Its dilemma will be absolute if the government's Algerian campaign is still being actively pursued when Parliament is called on to ratify Tunisian and Moroccan independence later this year.

Meanwhile, the support which the government enjoys, or suffers, from the Right makes it invulnerable to adverse votes on the Left. Yet the growing gulf between Left and Right is itself a danger. The Right has been prone to detect

treachery in every form of opposition (a pastime in poor taste for some ex-collaborators). Liberals like Jean de Maisonseul, the chief architect of Algiers, who was arrested for getting in touch with the rebels in hopes of facilitating a cease-fire, have been the victims. Shades of an unhappy, but recent, past in Tunisia and Morocco are resurrected when members of the French government admit that they were not informed of impending arrests. On the Left, the champions of immediate negotiation, the Communists in particular, have shown their strength in a series of organised demonstrations against the call-up of conscripts, and in favour of a cease-fire. The campaign has had an effect on the Socialist rank and file, including many deputies. The pressure will grow, especially if the costs of war put real wages and the government's social programme in danger. The man in the street, as he speculates on the jumble of opinion on either wing, is not as yet shaking the government, but he is doing his bit towards undermining it. There will be no end to this slow sapping of its strength until it displays enough moral courage to propose a clear-cut policy for Algeria.

But all told, there is a better chance than there was of a "middle way" solution because many deputies now realise more clearly than three months ago that if they want a genuine Franco-Moslem community, they must swallow equal rights for Moslems. The government has begun to grope towards a policy along these lines. M. Lacoste has announced that he will soon hold municipal elections in the areas that are cleared of rebel bands, as well as in those not yet affected by the rebellion. He has even said that foreign observers might supervise the elections. M. Mollet has repeated his original promise that general elections will be held after pacification to choose "valid spokesmen" for Algeria, and has specified that these will be for a single chamber (in other words that the elections will not be weighted in the settlers' favour, as some conservatives hoped). He has added that wide powers would, in the proposed statute, devolve on regional authorities.

These fumbleings after a policy raise many questions. The first is whether the parties backing M. Lacoste's pacification will still agree when it comes to M. Mollet's statutes? Every sign is that many will not. Next, could the government carry out its reforms, once the immediate crisis were over, in the teeth of opposition from the settlers and the conservatives in Paris? The Communists in the last resort hold the answer to this problem, for they could

give the government an alternative majority. More fundamental still, and despite M. Mollet's confidence to the contrary, may not freely elected Algerian representatives opt for independence? Could the French refuse? How long can Algeria be satisfied with a mere "personality" when Tunisia and Morocco have a nation? It has been too easily assumed that should the rebellion be crushed, the problems of Algerian nationalism will vanish. The very fact that these pertinent questions are beginning to be asked may spur the government to clearer-cut proposals.

Though M. Mollet has lost support in parliament, he has gained a little compensating strength from other quarters. One or two international factors have operated in his favour: Moslems who were sure that they had both Russia and the Afro-Asian bloc solidly at their back have been caused to think twice, first by Russia's intimation that it would rather see France remain in North Africa than the United States move in to fill a vacuum, and secondly by Mr Nehru's advocacy of a five-point plan for an Algeria composed of a mixed Eur-African community; it seems that Moslem confidence in the value of intransigence may have been undermined.

In a confusing situation only a few facts remain clear. One is that M. Mollet's race against time must be run not only in Paris and the Algerian areas of rebellion but also in Morocco and Tunisia. Another is that little piecemeal offers of "reforms" in this or that pacified area will not make for peace, since they may incense the unpacified areas to which they do not apply. Some offer to Algeria as a whole has to be made if anything lasting is to be achieved. A third is that a federal pattern may work as a transitional solution, but looks less and less like a lasting one. Yet if M. Mollet can get the present Chamber as far as that island in midstream, he will have done well.

The Succession to Molotov

NEWSPAPER readers in Moscow learnt last Saturday, from a short report on the last page, of the replacement of Vyacheslav Molotov, minister of foreign affairs, by Dimitri Shepilov. Thus unobtrusively ended the long rule in that office of a man who for years had been Stalin's second-in-command. The end may have been precipitated by Marshal Tito's visit—Mr Molotov acting as fatted calf for a prodigal who has done well in the world—but it was no surprise; only the timing can have been in question. For some time past the Soviet minister for foreign affairs had been left behind, out of the limelight, by Stalin's peregrinating heirs. His departure was awaited as yet another symbolic break with the Stalinist past.

Faithful service to Stalin cannot be a bar to high office in present-day Russia. Bulganin and Khrushchev, Mikoyan and Malenkov have all been Stalin's servants. Molotov's eclipse is not merely a question of age either; at 66 he is scarcely older than some of his colleagues. It is because he joined the Bolsheviks as a youth of sixteen that Molotov now appears to be such a veteran. He is one of the very few fairly prominent revolutionaries who have managed to survive. A dogged bureaucrat, he tied his fortune to Stalin's early in the day and helped him in the struggle for Lenin's succession. He climbed the ladder as Stalin was

kicking more famous Bolsheviks off it. By 1930, when Stalin had crushed, though not yet liquidated his opponents, Molotov became chairman of people's commissars, then the Soviet equivalent of prime minister, a post he kept until the outbreak of the war. Though he was obviously a tool of the omnipotent secretary-general, he, more than any other living Soviet leader, bears a degree of formal responsibility for the crimes perpetrated in the 'thirties, which are now being progressively repudiated.

In foreign affairs, too, Molotov cuts an anachronistic figure. He took over in 1939 when Litvinov's "soft" line was dropped abruptly and he kept the job in the postwar period when Russia, licking its terrible wounds, gave full rein to its suspicion of the West, held convulsively to what it had seized, and tried to expand its *cordon sanitaire*. The patient official, giving masterly examples of that stubbornness which Ivan the Terrible had already recommended to Russian diplomats, fitted perfectly into this rigid pattern. His stolid negative performances during the cold war gained Mr Molotov the international nickname of Mr Niet. Within the Soviet bloc this was also the period when Stalin peremptorily ordered his satellites about, apparently hurting Mao Tse-tung's feelings and bringing about the break with Marshal Tito.

This behaviour had already outgrown its usefulness in Stalin's day. In his last speech, in 1952, Stalin, the theoretician of "socialism in one country," could proclaim the end of Russia's isolation. The production of a Soviet hydrogen bomb boosted the self-confidence of Russia's new leaders. They could afford to vary the set routine and to attempt a more elastic, more flexible policy designed to take the initiative out of western hands.

Shepilov's Prospects

Molotov has always been a mouthpiece, a time-server. Could he not carry out the new line prescribed by his colleagues? Like many who climbed on Stalin's bandwagon, he had little room for manoeuvre and was in permanent danger of a fatal fall (Mrs Zhemchuzhyna, his wife, was arrested at least twice). And yet Molotov's reflexes, like Stalin's, were probably too conditioned by past experience to get adapted to the new mood. This, at least, must have been the conclusion of Stalin's heirs, since they gave him only a minor part to play in the new Soviet diplomacy. Functions of his ministry were usurped by others. He did not travel to Peking or to Belgrade, to Delhi or to London; at Geneva he appeared as a subordinate. Once before, in 1949, Molotov relinquished the ministry of foreign affairs, though he continued to supervise this field from a vantage position as vice-premier. Now he also remains deputy premier but he seems too closely identified with Stalinism to make a come-back. His resignation is probably the first bow in his quiet exit from the Soviet political stage.

His departure involves a change of guard, since by Russian standards Mr Shepilov (at 50) is a mere youngster. Messrs Bulganin, Kaganovich, Khrushchev, and Mikoyan are all in their sixties. There was a time when Trotsky became head of the Petrograd Soviet at 26. Now the Soviet "young men" are all in their early fifties; Mr Malenkov is the most prominent of them. Shepilov is one of the most gifted members of this group, which had an opportunity to do some thinking before entering into Stalin's political purgatory which lasted nearly a quarter of a century. Behind them there are, as yet, no bright young

men to be seen in politics; such are the intellectual ravages of Stalinism.

Dimitri Shepilov is obviously an intellectual and has apparently a better grasp of historical perspectives and Marxist doctrine than most of his elder colleagues. He made his way as a propagandist and was at one time head of the propaganda section of the party. But he showed too much independence and in 1951 was attacked as a defender of the disgraced Voznessensky and downgraded to the editorship of *Pravda*. After Stalin's death he began to climb again. He was entrusted with the attack on Malenkov in the "heavy versus light industry" controversy. He has acted as Molotov's understudy for some time past, taking the Canossa road to Belgrade or travelling to Cairo to inaugurate the new Soviet line for the Middle East. At the last party congress came the reward. Shepilov was elected a candidate member of the party presidium and a full member of the secretariat. Now he gets Molotov's job. There is no question of Shepilov being less intransigent or a less convinced Communist than his predecessor. But he is a less rigid man, more apt for the new language and the new strategy. With few young competitors in sight, Shepilov is taking another step in a career which may yet lead him to the very top.

Elections in Holland

FROM OUR CORRESPONDENT IN HOLLAND

DUTCH voters go to the polls next Wednesday; but their prosperity has increased so steadily over the last four years that they are unlikely to bring about any important changes in the political scene. Industrial capacity has increased by about 45 per cent. Exports are about 250 per cent above the 1949 level. There is full employment and even over-employment. Ninety-two per cent of Holland's trade with OEEC countries has been liberalised and almost 100 per cent of its dollar trade. Imports are steadily increasing, even to a rather dangerous extent. All this throws an aura of success over Dr Drees' government. His cabinet is formed by the Roman Catholic Peoples party and the Labour party (each with 30 seats out of 100 in parliament) and by the two smaller protestant parties with 12 and 9 seats respectively. The exiguous opposition consists of the Liberal party, with nine seats, and the Communist party, with six. This opposition is not only small but largely ineffective since the Liberals never offer a clear alternative policy and the Communists are quite without influence.

The outstanding domestic problem in Holland today is the enormous shortage of houses. An average of about 70,000 new houses each year is not enough to keep pace with the increasing population, which rose from 8.5 million in 1938 to more than 11 million today. But because labour is scarce and building processes insufficiently rationalised it has so far proved impossible to cope with the problem. All the political parties, however, are agreed on its gravity. A second serious problem is the danger of inflation. But here too no party lays exclusive claim to a panacea although each has its preferences for the measures that should be taken. In fact, in a small country like Holland, with a free economy

and dependent for its prosperity on the outside world, there is not much room left for party manoeuvres.

On foreign policy there is even closer accord. Its main points are the continuation and consolidation of Nato European integration, anti-communism and anti-neutralism. The new plans for a European common market and Euratom are wholeheartedly backed by all democratic parties. The vague opposition in some industrial circles, which arises partly out of Britain's aloofness and partly out of fear of any adventure, is hardly strong enough to affect any of the party programmes. This does not mean that there is much optimism in Holland about the chances of the Messina plans; it is widely realised that the common market plan in particular will have to face very strong opposition in France. More and more Dutch people are coming to feel that supranational dogmatism must not be allowed a second time to prevent practical co-operation on a much closer basis than has appeared possible in OEEC.

In the absence of clear-cut political issues the election campaign has been largely fought on matters of party allegiance. Before the war most Dutchmen who did not belong to the socialist or liberal parties used to vote for whichever political party was more or less an extension of their church or confession. After the war the Socialist party started a campaign against this close connection between religion and political party. Together with some small political groups they organised a new "Labour party," on the basis of democratic socialism, which was open to members of all Christian churches as well as to those who belonged to none. They proclaimed the so-called "bursting" of the dykes of the politico-religious party system and won thousands of Roman Catholic and Protestant voters.

This new Labour party did so well in the general elections of 1952, particularly in the Roman Catholic parts of the country, that the Roman Catholic ecclesiastical authorities became greatly concerned. A year ago, with new elections on the horizon, the Dutch bishops issued an episcopal letter which made a strong appeal for unity, *in politics*. This letter is being used during the present campaign by the Catholic Peoples party as a propaganda pamphlet against their biggest rival, Dr Drees' Labour party. It remains to be seen how many of the Catholics who voted for the Labour party in 1952 will this time vote for the Catholic Peoples party, not out of political conviction but as a matter of religious obedience. On their decision will depend which of the two parties is to have the strongest influence in the next parliament and government. But it remains unlikely that either the Labour party or the Catholic Peoples party will find themselves in a position to form a government without the help of the other.

New Faces in Ceylon

FROM OUR CORRESPONDENT LATELY IN CEYLON

IT is arguable that the change of government in Ceylon may prove, even for Britain, a change for the better in the long run. The government of Sir John Kotelawala was reasonable enough about Trincomalee but it was increasingly out of touch with its own people; and it sometimes behaved so like a weathercock that it, too, might not

have hesitated to get rid of the British bases if and when that step was necessary for it to remain in power.

Sir John had had 25 years in office, but only for the last four of them was he a really national figure. As Prime Minister he blossomed, his personality became daily gossip right across the island; but he went too far in search of popularity, and hints of his romances were read even into his parliamentary speeches. In Colombo, society is small and rumours resound much as they do in Clochemerle, until it becomes hard to distinguish between fact and fiction. There was no doubt that Sir John dominated people's minds, but he failed to dominate their loyalties, for he represented a vanishing crust with money but little education. On the international plane he had got it into his head that he must outshine India's Prime Minister. His first attempt was at Bandoeng, where he stood up to Mr Nehru on the relative dangers of colonialism and communism and, in doing so, catapulted himself into American hearts, a dangerous action for any Asian leader with an election in the offing. Still doggedly following Mr Nehru's trail, he went off globe-trotting and he also wrote his memoirs.

Intellectual Nationalists

The new government is completely different. It is a government of intellectual nationalists. Mr Bandaranaike is an aristocrat; the son of one of Ceylon's oldest and richest planters, he was named West and Ridgway after the Governor who was a friend of his father. He is everything Sir John is not: well educated, a brilliant conversationalist, a secretary of the Oxford Union. Money has been around him for long enough not to glitter, and he leads a quiet family life in a large but simple house. His opponents criticise him because his wife salutes him in Kandyan fashion, and say that his conversion back to Buddhism is the result of ambition not faith—but gossip gives him no mistresses. His ambition is real. He broke with Mr Senanayake at the time when, unkind people say, he received a lot of telegrams telling him to resign and discovered, too late, that they had come from Communists.

Whatever the reasons for his leaving the United National Party nearly six years ago, Mr Bandaranaike made good use of his time in opposition. He discovered that power lies not in Colombo but in the villages, with the ayurvedic doctors and the school teachers who know only Sinhalese; in fact with the rural middle-class—that vast mass of voters who are not impressed by what the West thinks. Once he had discovered this, it became relatively easy to win votes. Mr Bandaranaike is now a staunch Buddhist; he addresses meetings in Sinhalese, wears the sarong in public (trousers at home), insists that Sinhalese should be the only state language and that Ceylon should get rid of British bases because "a people who have been colonised can never feel free in their hearts so long as they can see the uniforms of the colonisers on their soil" and, finally, making the key Kandyan voters his, he insists that Indian tea-garden labourers should remain disfranchised and go home.

The men around him, with the exception of Mr P. Gunewardene, are not well-known. Mr De Silva, the present Speaker, alone has administrative experience; he was a senior civil servant and established his popularity as settlement officer in newly reclaimed agricultural colonies. Mr Dahanayake, the Minister for Education, was also an MP before this election; he is a "Sinhalese only" fanatic

and formed his own tiny party on that issue before joining in the broad coalition which swept the polls. Since he assumed office he has done two things. He cancelled an examination because there had been the usual leakage of the questions; this austere honesty has thunderstruck Ceylon. He has also announced that only teachers trained in Sinhalese will be appointed to government jobs this year. Mr Philip Gunewardene, the Food Minister, is a Trotskyite. He was disqualified from elections last time because he went to jail after a riot, and his wife got elected to keep his seat warm. His first action has been to lower the price of rice by 10 cts per measure. After 30 years he has had the twin satisfaction of getting into power and seeing Stalin discredited all in the same week.

Angry Tamils

In most respects, the domestic programme of the Bandaranaike government is going to be less dramatic than it sounds. Schools will become secular, the western churches will lose their privileges, and Buddhism may gain a few. Sinhalese is to become the *de facto* state language, but local self-government will be encouraged so that in the north of the island the daily routine will be conducted in Tamil. The communal tension that has shown itself in this week's violence is likely to be kept high, however, if the government insists on Tamils sending their children to Tamil schools with the result that they would be at a perpetual disadvantage with the Sinhalese when competing for jobs in Colombo. Nationalisation will probably be confined to bus transport and insurance (both have in the past been sources of financial support for the UNP). Plantations are most unlikely to be nationalised; they provide Ceylon with one-third of its revenue and two-thirds of its foreign exchange; one does not kill the goose that lays the golden egg. The planters, however, will probably have to provide money for the gratuities with which the government hopes to induce Indians not to claim Ceylonese nationality but to settle in India.

Trouble on Bulgaria's Farms

BY A CORRESPONDENT LATELY IN BULGARIA

FIGURES given by Mr Yugov, the new Bulgarian premier, about the recent increase in collectivisation vividly illustrate the régime's determination to complete the process within the next three years. More than 77 per cent of peasant households and 75 per cent of arable land are now in the collectives. During the first four months of this year 282,000 families were induced to join collectives and the drive, though slowed down since, has certainly not been abandoned. It is only natural that during a season of intensive agricultural field work, the government should not press on with collectivisation too harshly. But the methods employed earlier in "persuading" the peasants to enter the collectives were not always strictly legal and it was publicly admitted—during the wave of criticism and self-criticism which followed Mr Chervenkov's dismissal—that the "voluntary principle" had not always been observed.

It is not easy to make out what, in the government's view, is "voluntary" and what is not. Many peasants who have recently succumbed to the collectivisation drive gave the same explanations of their action: their children had been told they would not be able to continue at school if their parents did not join; or, if one member of a family worked in a factory or elsewhere, it was hinted that the job would be forfeit if the family holding was not taken into the collective. Threats of loss of employment or of educational opportunities appear to be relatively legal methods of showing peasants the "advantages" of collective farming. When the Bulgarian communists talk of non-observance of the voluntary principle they are, it seems, referring to crude pressures, often aided locally by police or even military interference.

Much adverse comment has been levelled at the work of the collectives and at the government's agrarian policy generally. So widespread did this criticism become that the official press is now complaining of "enemies" who are trying to exploit this critical mood within the party and to "shatter confidence" in the co-operatives by telling the farmers that life would be worse inside them than it is outside. There must have been many who blamed Chervenkov for collectivisation and these "enemies" are now being forcefully reminded that the policy was not just the "temporary one of an individual" but a permanent party programme. If there are any who still think that a change in the government leadership might mean a new policy towards the remaining "free" peasants, they are being left in no doubt that the new administration intends to see collectivisation through to the bitter end.

Evading Criticism

Doubts and disagreements seem to have arisen within the party itself and within its appendage, the puppet Agrarian Union, because some members are being charged with having shared the attitude of the petty bourgeoisie and with raising claims which have "no real value" and are not in "conformity with reality." This is an obvious admission that the demands for drastic improvements inside the collectives, particularly in the payment and standard of living of their members, have become louder and that the government, while admitting that something must be done, is still neither able nor willing to make any basic revision of the prevailing system. How else can one interpret angry warnings to "self-appointed" agricultural specialists that the needs of the farms must comply with those of the national economy as a whole?

The government admits that there are shortcomings, but meanwhile, it seems to be seeking to evade criticism by promising "serious attention" to further mechanisation, the construction of new dams and irrigation systems, new fertilizer plants and so on. It also warns the peasants that the main improvement must be brought about by increased yields: that is, by harder work in the co-operatives for little more than the existing meagre rewards. But the régime will find that it has a difficult row to hoe. Its promises have been openly described by impatient opponents as mere "idle talk." Drastic revisions of the whole agricultural policy, including price policy, are being demanded as well as a rapid increase in the standard of life in the villages. It is being rumoured in Bulgaria that there is soon to be another session of the Central Committee devoted entirely to the problems of agriculture. This in itself is a sufficient indication of the régime's difficulties.

NOTES FROM CANADA

(With the exception of the first, these Notes are contributed by our Correspondent in Ottawa)

Unparliamentary

LAST Friday the parliamentary kettle in Ottawa, which had been whistling for some time, boiled over. As an article in *The Economist* of last week had explained, the Liberal government was already in trouble, despite its huge majority, owing to its need to hurry through its bill on the trans-Canada natural gas pipeline. In the eyes of the Opposition, already infuriated by the closure tactics used by Mr C. D. Howe, the Minister of Trade and Commerce, the last straw was Friday's announcement by the Speaker, Mr Beaudoin (a Liberal), that he had changed his mind about accepting a motion which would have upset the government's urgent timetable. When closure of the committee stage on the pipeline bill was moved a few hours later, there was a clamorous outcry against the Speaker. Conservative and CCF (socialist) MPs left their seats and brandished their fists at Mr Beaudoin; the mace itself seemed in jeopardy for a moment; and Mr Coldwell, the CCF leader, was heard above the general din to shout that "Parliament has ceased to function." Not for many years has such an "unparliamentary" scene been witnessed.

Comment in the Canadian press and among the public has not, however, laid the blame for this on the Opposition. It is widely felt that the Speaker had, at the least, failed to ensure that parliamentary justice was seen to be done; that Mr Howe has behaved too forcefully, while the Prime Minister, Mr St. Laurent, has not been forceful enough; and that the Liberal MPs had themselves set a bad example, for instance, by trying to drown Opposition protests with rousing choruses ranging from "Alouette" to "Home on the Range." If the good name of Parliament is now tarnished, it is argued that it was from the government benches that the first disrespectful gestures came.

★ ★ ★

Disquiet over American Capital

THE bitterness over the pipeline issue arises in part (as was pointed out last week) from the underlying controversy about how much United States capital Canada can safely absorb. Lord Home, the Secretary of State for Commonwealth Relations, recently became embroiled in this delicate political issue during his tour of Canada when, answering a journalist's question, he innocently remarked that Canada needs all the development capital it can get. In straight economic terms he was, of course, quite right. Moreover, the Liberal government has done very well out of prosperity, and its economic thinking is still dominated by Mr Howe, who is American born and on record as not caring about "the nationality of a dollar bill." It is on unassailable economic ground when it points out that the present rate of Canadian expansion would be impossible without the large inflow of American capital.

The Conservative opposition has no such easy case to make out. But it is much more sensitive to a certain undertone of uneasiness about the swift growth of American

financial control over many of Canada's most dynamic industries—oil, gas, mines, and, to a lesser degree, timber. American businessmen like to ensure control of most companies in which they invest, and many of them do not even make the shares of these companies available on the Canadian markets. The most sophisticated expression of disquiet about American economic domination is the observation, heard increasingly often, that a slower rate of development involving a smaller capital inflow might be in Canada's better interests. The least sophisticated, which everyone fears, would be a growth of ordinary anti-Americanism. This is not yet apparent to any serious degree, but there are potentialities which American as well as Canadian politicians would do well to note—though it probably lies more with American business leaders than with anybody else to reassure Canadian opinion.

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Canada and the Commonwealth

THE traditional Canadian view of the Commonwealth is bound to be in evidence in any informal exchanges of view at this month's Prime Ministers' meeting in London. In Canadian eyes the admission of the Gold Coast or of any other African or Asian country which has advanced to self-government presents no difficulties. Indeed, it is no great exaggeration to say that in the Canadian view this is precisely what the Commonwealth is for. The value of the association will only be enhanced by the addition of new members which have graduated by the same route that Canada pioneered. But Ottawa will not take the responsibility of trying to hasten new admissions; the United Kingdom, it concedes, knows far more about the stability of newly-created democratic institutions in former colonial territories. In principle Canada holds that the sooner they can come to full membership the better; in practice it will tend to accept Britain's verdict on when that stage is reached.

The probable business at the Prime Ministers' meeting reinforces the Canadian conviction of the incalculable value of the Asian countries' membership of the Commonwealth. Most of the time is expected to be taken up by discussions on the position of Communist China, on Seato, on the Baghdad Pact and the new course of Russian tactics. From Canada's point of view, as a very close neighbour of the United States, it will be of vital importance to be able to discuss all these questions in full frankness, to hear the probably divergent views of India and Pakistan and to make acquaintance with the new leaders of Ceylon.

★ ★ ★

Mr Massey's Success

CANADA has always been proud of its part in leading the evolution of the British Empire into the present Commonwealth, but paradoxically it was the last of the "Old Dominions" to appoint a Governor-General from among its own citizens. That was 4½ years ago when Mr St. Laurent's Liberal government recommended the appointment of Mr Vincent Massey. Now the Queen has approved an extension of his term from February, 1957, to the spring of 1958. This extension is universally

popular; the original appointment was not. There were still a number of Canadians, perhaps more influential than numerous, who regretted the appointment of a native Canadian as the Queen's representative and feared that the dignity and impartiality of the office might be thereby impaired. Although their fears are not now removed in principle, they are completely removed as far as Mr Massey is concerned.

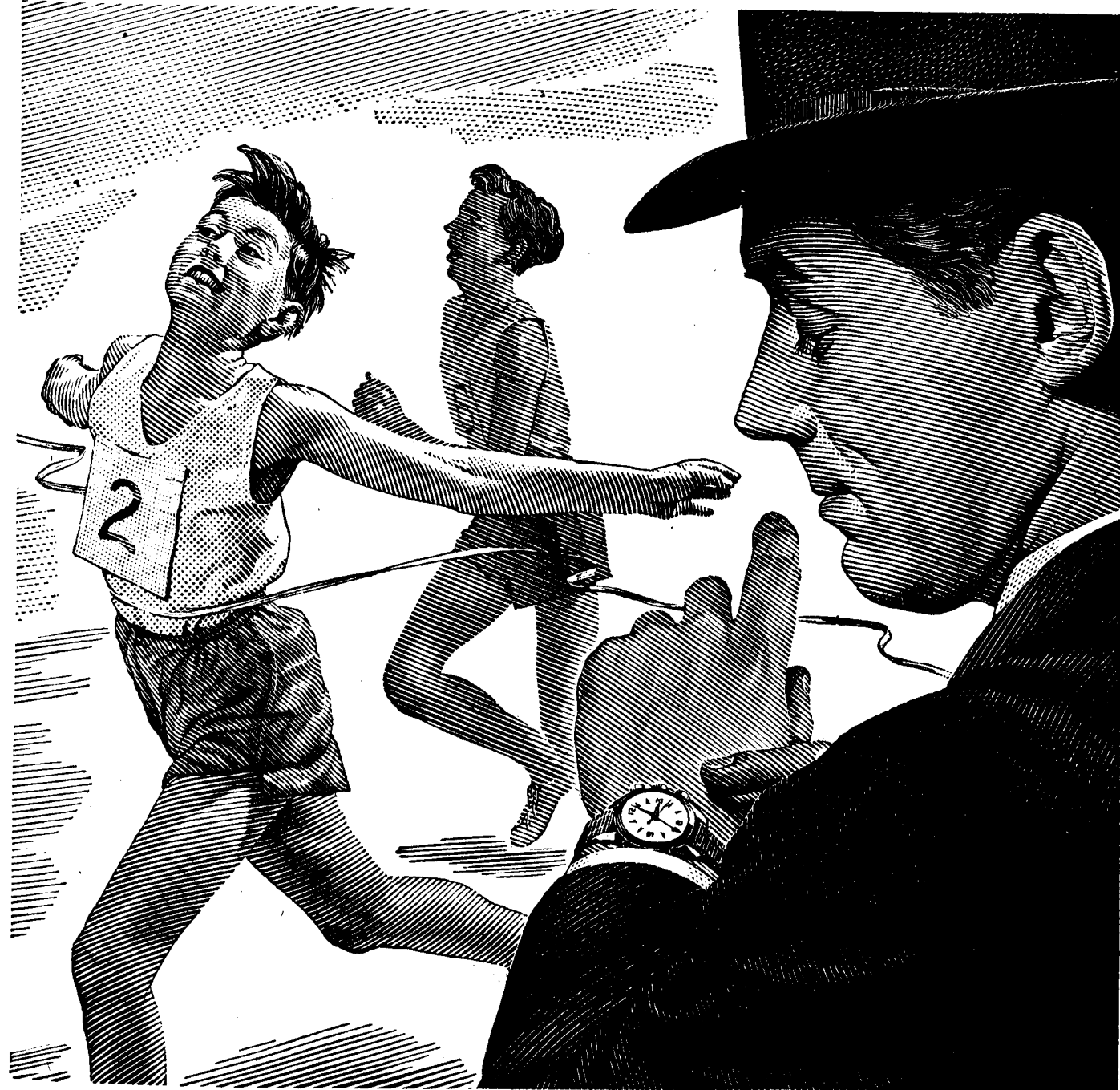
He has achieved a reconciliation of qualities which have too often been considered irreconcilable. The dignity and even the ceremony associated with the Crown have been increased rather than diminished. It was Mr Massey who on a cold winter day towards the end of 1952 revived the ceremonial practice of driving to the opening of Parliament in an open horse-drawn carriage with a mounted escort. At Government House in Ottawa, and everywhere else that he has visited in Canada, the ceremonial proprieties have been richly observed—even to the imaginative idea of flying the Governor-General's standard from a dog-sled on his Arctic tour this year. But along with this strict observance of all ceremonial niceties Mr Massey has shown a brilliant originality in bringing the Crown's representative into direct touch with the people of Canada. He has probably travelled more widely and entertained more varied sections of the community than any previous Governor-General. It may be that only a Canadian Governor-General could have achieved Mr Massey's brilliant combination of ceremony and simplicity. But the question remains whether any other Canadian can do it as well.

★ ★ ★

M. Duplessis Fights On

WHILE the federal election is not expected until next year, several provinces are holding elections for provincial Legislative Assemblies this summer. The chief interest lies in Quebec, where M. Maurice Duplessis is seeking to renew the mandate of the "Union Nationale" party which is his own creation. He was in power from 1936 until 1939 when the Liberals succeeded in their concerted effort to rally patriotic support for the national Canadian cause rather than the Quebec provincial cause. But M. Duplessis came back late in 1944 and has held office ever since.

In so far as any intellectual appeal affects Quebec elections, M. Duplessis's stock in trade is the defence of French Canadian interests, identity, race, language and religion against those whom he calls the "centralizers" at Ottawa. If Mr St. Laurent thought that he could take the sting out of this appeal by his new arrangements for federal-provincial taxation (which concedes a great deal to M. Duplessis), he has been quickly disillusioned. Although M. Duplessis will get an unconditional "equalization payment" of at least \$40 million a year besides levying all the taxes he fancies, he evidently still feels himself on strong enough ground to attack the federal government for encroaching on provincial rights. In all the less public electoral devices, involving strong party organization and a nicely measured distribution of favours, there is no sign that M. Duplessis has lost the master's touch. It will be a great surprise if the provincial Liberals can defeat him—with or without the support of some prominent federal Liberals.



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THE ALOADAE, Ephiates and Otus were sons of Poseidon, the sea god. They grew one cubit in breadth and one fathom in height every year and eventually killed each other by accident, thus fulfilling the prophecy that they could not be killed by other men or gods. But before this, such was their vast strength, they chained Ares, god of war, and kept him, much against his will, in a brazen cask for thirteen months.

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THE BUSINESS WORLD

Houses of Gold

WELKOM is not a health resort. It is a busy, bustling nine-year-old town, hotter and more dusty than the higher towns of the Witwatersrand, with a vigorous young life of its own. The most numerous visitors are not white. They come without their families but with their multi-coloured blankets and bundles of exotic *bric-à-brac* from the native territories, from the High Commission territories, and from Portuguese Africa for a sojourn of four to eighteen months and they move off from the reception centre to their compounds, their aptitude tests and their initial mine training. The whole place, from the magnificent Ernest Oppenheimer native hospital—as fine as anything of its kind in the world—to the European mineworkers' bungalows, looks new. The landscape is still largely unscarred by the sterile yellow dumps that defile the Rand. But two features of the panorama stand out.

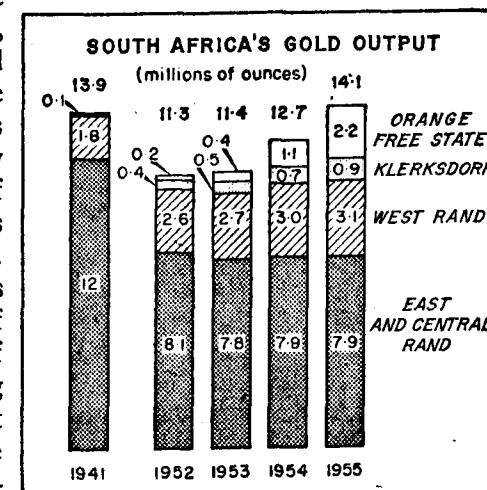
All available depressions in the plain have been bought and turned into lakes of brackish water. They provide evidence of the chief technical problem of gold mining in the Orange Free State—the fact that though fresh water for the garden is not plentiful, brackish water from under the ground is embarrassingly abundant. The mines in the OFS last year pumped up water weighing nearly three times the tonnage of the ore they crushed, and left it to evaporate. The second peculiarity is the town hall: there is none. These are still early days at Welkom, but there is hardly another town in South Africa of over 20,000 European inhabitants that has no municipal building. And while that void remains the hardworking citizens of Welkom will remember the chief political problem of goldmining—the fact that on important issues, including native policy, the nationalists in power and the indus-

trialists who control the mines do not see eye to eye.

Investors, too, should keep those two warning signals in mind when trying to assess the achievements of the new gold mining areas, Orange Free State, Klerksdorp and Far West Rand and Bethal against the declining but still dominating production of the Central and Eastern Rand. They will buy gold shares, as they always have, when they distrust their own currencies. But the long term prosperity of the industry, without which those hedging facilities against the franc and against sterling would not exist, depends on the success of the vast investment that has gone and is still going into the new gold areas. In the Orange Free State that investment so far has been £167 million, £95 million of it found by the Anglo American group alone.

So far the news is good; South African gold production in 1955 was a record at over 14 million ounces. The whole and more than the whole of the extra production came from the new areas. Four Orange Free State gold mines, President Brand, President Steyn, Western Holdings (from the Anglo American stable) and St. Helena (under Union Corporation's management) began dividend payments. The ten thousand inch-pennyweight boreholes that startled the Stock Exchanges in the years just after the war have not yet produced the grades that the optimists anticipated. They have produced an uneven batch of mines and considerable geological difficulties. But with eleven of the twelve Orange Free State mines at work last year, the grade of ore crushed was about 7 dwt per ton, compared with about 4 dwt on the Rand. As more mines come into production and young mines get into an adult stride the grade on the OFS and at Klerksdorp should rise.

To risk judgment on the future



of any individual mine is hazardous (for promising propositions sometimes bring big disappointments), but the profits of the mining finance houses should continue to rise. Three that have reported for 1955, Anglo American, Union Corporation, and Central Mining show big rises for 1955, the result of bigger dividends from their mining investments. The mines they manage are still confronted with rising costs. The president of the Transvaal and OFS Chamber of Mines has estimated that sixteen mines on the Witwatersrand with low profit margins are vulnerable, but the advance in costs last year was somewhat below the recent annual average of 2s. 3d. per ton. The mines could also use still more African labour, though most mine managers would be embarrassed if they were suddenly offered 100 per cent of their labour quotas. For those mines that are selected uranium producers, uranium is now a steady source of income with the prospect that at the end of the ten year contracts, the price of uranium may not be so favourable, but that the costly plants will stand in as free assets to the companies. The gross gold revenue

SOUTH AFRICAN FINANCE HOUSES

(£'000s)	Anglo-American		Union Corporation		Central Mining	
	1954	1955	1954	1955	1954	1955
Investment income	2,594	4,434	1,498	1,661	820	857
Share-dealing	967	294	144	398	447	146
Other income	2,641	3,363	193	149	255	186
Total income before tax	6,202	8,091	1,835	2,208	1,522	1,189
Ord. divs. (gross)	2,742	2,742	1,003	1,182	550	550
Ord. divs. (per cent)	70	70	93½	110	13½	13½
Quoted shareholdings	23,997	24,796	6,597	6,782	8,692	9,609
Investments at market value	65,985	59,381	19,829	19,493	16,826	17,579
Price	7½	7½	36/9	35/9	35/9	35/9
Yield	£4 17s. 6d.	£4 17s. 6d.	£7 9s. 8d.	£7 9s. 8d.	£7 13s. 10d.	£7 13s. 10d.

of the Orange Free State has risen without a break from £230,000 in 1951 to £27½ million in 1955. In addition, at the end of last year the OFS mines are estimated to have drawn working profits at the rate of £3 million a year from uranium and sulphuric acid plants. The pay off from the great investment, at least as the Anglo American directors see it, has still far to go. It can be expected, they say, that over the next few years the monthly milling rate of the existing Orange Free State Mines will rise to more than twice the end-1955 rate.

Some of the mines of the Orange Free State must doubtless now be regarded as established propositions. About others the directors of Anglo American offer a clear warning. Loraine and Freddie are both working at a loss, Jeannette has been placed on a caretaker basis, and in the Klerksdorp area Ellaton will have a shorter life than had been expected. With that warning in mind, many investors will feel happier with the spread of a mining finance house behind them than with the shares of an individual mine.

The South African finance houses compete

vigorously with each other in prospecting and in sinking shafts quickly. They collaborate together on almost all other matters, holding investments in each other's properties, supplying directors to each other's companies. The chain that holds the mine to its finance house is usually not a majority investment. It is substantial investment plus an agreement for secretarial or technical services, often carrying the right of the finance houses to appoint the chairman and some members of the board. On the quality of its technical advisers—the consulting geologist, the consulting engineer, and the native affairs adviser—the success of the group largely depends. But selling a product for which there is always a market and never a variation in price leaves no room for competition on sales or labour policy.

The finance houses are also vendors of another commodity for which they do not enjoy either an insatiable market or a guaranteed price—gold shares. Profits from investment transactions last year were lower in all the mining finance accounts so far published. That is not an order of events that suits the finance houses. Their profits on share dealings are really profits on realisations. A finance company's interest in a mine it has proved and floated declines gradually until it reaches the minimum regarded as necessary to maintain management (perhaps 20 to 25 per cent of the capital). A mining company thus usually starts as a subsidiary of its finance house and moves out of that class though it remains administratively within the group.

Realisation by the finance companies must continue; it is their method of turning over their capital and using it afresh for new developments. And the kind of gold share market that obtained last year is the worst for them. London always has provided much of the finance for South Africa's gold mining. The difficulty is acknowledged by the directors of Anglo American, who have applied £549,496 to writing down investments below market values and set aside a further £500,000 against loans to associated and other companies. To write down investments when they have a book value of £38 million and a market value of £69.5 million looks like extreme caution, but Anglo American can afford to be cautious. Its cash and Treasury bills (not all of it, naturally, the product of the gold side of the group) last year stood at £40.4 million compared with £29.7 million at the end of 1954.

Six of the eleven mines of the Orange Free State are of the Anglo American stable, but for all the mining finance houses the Orange Free State is still a small factor in total income. Particularly is this so with Anglo American which, linked with De Beers and with Rhodesian Anglo American, spreads its investments through gold, diamonds, copper, coal and a host of industries. The importance of the progress in the new gold fields still lies mainly in the future. Thus far there has been more than enough gold from them to offset the decline in the output from the old mines. The gold field of the central and eastern Rand is, however, nearly

three generations old: its production must tail away faster—particularly if, when present uranium contracts expire, there is no longer an incentive for certain mines to work ore that on its gold return alone is barely payable. The ultimate capacity of the Far West Rand, the Klerksdorp area, the Orange Free State and of the Bethal area in which Union Corporation has specialised is still unknown. It depends partly on geological factors of which the amount of accumulated water still under

the ground and the amount of faulting are the most obvious. If mining is more difficult and more costly in the OFS than was at first envisaged, there are also sure to be some winners among the mines that have been proved. Meanwhile investment income of the finance houses has been good enough to outweigh the decline in share dealing profits in a year that was particularly bad for share dealing, and the new mines have not reached maximum production.

Measuring the National Income

FOR the past fifteen years the statistical high priesthood have handed down to the laity an annual set of figures on Britain's national income and expenditure. This exercise started as a slim White Paper; nowadays it has become a portentous Blue Book, preceded by a trailer which is itself of sufficient complexity to scare those who are fearful of figures. It needs a certain courage to pick a way through the baffling concepts and complicated figures in which these econometricians of the Central Statistical Office have to deal.

Yet they are essentially modest men and this week they have made it possible for the ordinary man to enter their arcanum. They have come clean with a full description of what the national income accounts mean and how they are put together. Their book* is not easy going, but its frankness and lucidity deserve high praise. Since the measurement of national incomes is a young technique, with perhaps more of art in it than science, it is bound to suffer from limitations and weaknesses—some common to all such figures and some peculiarly British. Despite the rapid advances in national income accounting and the progress towards common international standards of measurement, there are two abiding difficulties: first, to define what should and can be measured; secondly, to get accurate measurement.

National income is defined most simply as a measure of the value of the goods and services becoming available to the nation from its economic activity. To this the statisticians add a rider; the contribution from some kinds of activity defies measurement—the housewife's services, for instance, or those of the handyman about the home—and in general the line has to be drawn where goods and services are normally exchanged for money, with allowance for certain income in kind, such as food consumed on farms. If the object of the exercise were merely to get a total figure for the national income, many problems of definition could be avoided. But the real problem is to record all the nation's transactions in such a way so that the relations between the different parts of the economy can be studied. In

fact, the national income estimates can be regarded, and are built up, in three ways. The total is a sum of incomes; it is also a sum of expenditures; and finally it is a sum of the nation's output. Each of these methods provides useful cross-checks on the others, and each supplies a different set of economic indicators.

Many of the concepts used in building up the national income accounts are straightforward; others need stricter, and sometimes rather artificial, definition. The treatment of current and capital expenditure is an outstanding example. How should expenditure on a motor car or a refrigerator be entered? Ideally the services rendered by such durable goods should be spread, like a rent, over the lifetime of the article; but the only practicable case of this treatment is housing, where an assumed rent is recorded for owner-occupiers. Purchases of durable goods generally are counted as consumption only in the year when they are made.

The right treatment of fixed capital is still the weakest section of the framework of the national income statistics. The official figures deduct no provision for depreciation, so that it is impossible to measure the yearly net change in the nation's wealth, or to say what the true national income is. Some would argue that no really satisfactory method of allowing for depreciation can be devised and most people would agree that the normal accounting practice of providing for depreciation on the basis of the original cost of the asset would not serve. The statistical and accounting hazards are great, but is it impossible to attempt to measure changes in the written down value of assets, allowing for price movements? The figures for stocks are already divided between their two constituents of change in volume and change in price, and the result is meaningful even though the exercise is precarious.

The national income statisticians have to draw on a very wide variety of sources for their data, little of which is designed specifically for their use. Chief among them are tax assessments, the census of production and the government accounts. All of these are related to financial and not calendar years. For PAYE and most of the government accounting, the change-over is fairly straightforward but companies use their own accounting years both for tax and census returns.

* National Income Statistics—Sources and Methods. Central Statistical Office. HMSO. 387 pages. 25s.

Company statistics present another timing difficulty. The national income statistics for 1955 are now being completed, yet 1953 is the latest year for which complete profit assessments are available. Later figures have to be projected largely on forecasts provided each January to the Inland Revenue by companies whose profits are thought likely to exceed £10,000 in the coming year. The fact that the Revenue is skilled in this kind of estimate does not make up for a serious gap in up-to-date knowledge about this important component in the national income—which incidentally provides the bulk of the nation's savings and has been allowed to become a political cockshy.

The three main sources of information on the national income throw little light on one important element—how personal incomes are spent. The measurement of personal expenditure draws on a great variety of sources—retail statistics, the national food survey and customs statistics among them—and there is an obvious danger of unevenness in the results. The total consumption of a particular class of goods may be known with reasonable accuracy, but there is often little guidance about how much is bought on business account and how much on personal account. Some rather arbitrary assumptions have to be made; just under half of all new cars, it is assumed, are bought by business firms; about 5 per cent of spirits and wine; and about one-fifth of the passenger services of British Railways are regarded as being provided for businessmen and civil servants. There are no ways of proving these assumptions, and it may be that the share of business in consumption has been underestimated. If so, it would mean that personal consumption had been over-estimated and that, in consequence, personal savings (which are a residual figure) had been cast too low.

One important contribution in this new book is a rough assessment of the degree of reliability of the main figures. They are graded in three groups, according to whether the error is reckoned to be under 3 per cent either way, between 3 and 10 per cent, or over 10 per cent. The accompanying table reproduces the grading of some of the main series and then calculates the sort of range within which the figures might in fact lie, assuming a midway error in the group.

The first reflection on looking at the last column in the table is that the Blue Books have been misleading in putting out figures which, by not being "rounded-off" at least to the nearest £5 million or £10 million, appear to give a precision which they do not possess. The defence of such doubtful precision is that the error in the actual level of the figures is likely to be greater than that in the differences from year to year and

that "rounding-off" of small figures could distort these comparisons. It is, nevertheless, apparent that users of these statistics should have this reliability guide very much in mind. There is little to be said for arguments revolving round changes in stocks from one year to the next of, say, £50 million, when the potential swing of error in the actual figures is of the same order. And the components of these aggregated figures shown in the table tend to be less reliable not only because the errors when amalgamated offset each other to some extent, but also because separate checks can be made on the totals. The argument that the accuracy of the whole is greater than that of the parts would, indeed, suggest that a 1½ per cent error in the gross national product is excessive; if it is not, some of the fancy calculations that are based on changes in output from year to year would be very shaky.

It is not only the most recent year's estimates which are liable to such margins of error. Gradings are also given for the latest year but one, and, surprisingly, they show scarcely any improvement. Why, then, do such drastic revisions so often occur between one Blue Book and the next? The explanation often rests in improved definitions and new sources of information. If so, improvement will reach a stage when major revisions become much less likely. But when they occur between one year and the next, might they not have a word of explanation? After all, the wizards of Great George Street have gone in for the dangerous business of taking the public into their confidence; medicine men should beware when the fuzzy-wuzzies have any ground for doubting their incantations.

NATIONAL INCOME—RELIABILITY OF ESTIMATES

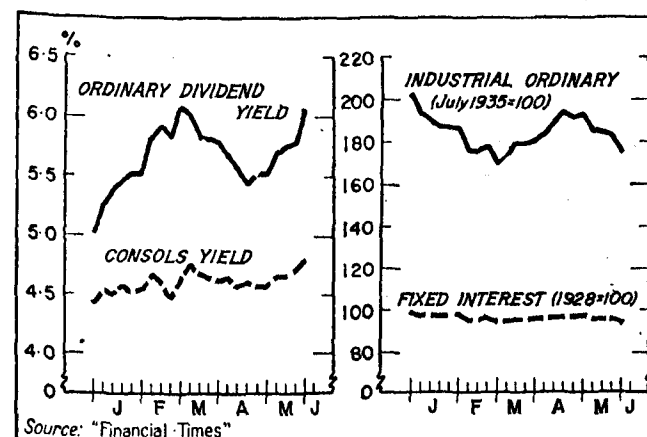
- A ± less than 3 per cent (assumed in final column to be 1½ per cent).
B ± 3 per cent to 10 per cent (assumed 6½ per cent).
C ± more than 10 per cent (assumed 15 per cent).

	Grading	1955 Preliminary Estimate (£ million)	Likely Range of Estimate (£ million)
Incomes			
Income from employment	A	11,050	10,880–12,220
Income from self-employment	B	1,702	1,590–1,810
Gross trading profits of companies	B	2,867	2,680–3,050
Trading surpluses of public corporations	A	297	293–301
Gross profits of other public enterprises	A	110	108–112
Rent	B	785	735–835
Net income from abroad	C	145	125–165
Rent, dividends & interest received by persons	B	1,817	1,700–1,930
Current grants from public authorities to persons	A	1,119	1,100–1,140
Expenditure			
Consumers' expenditure	A	12,677	12,490–12,870
Public authorities' current expenditure	A	3,198	3,150–3,250
Gross domestic fixed capital formation	B	2,770	2,590–2,950
Stocks & work in progress—appreciation	C	250	215–290
Stocks & work in progress—physical increase	C	350	300–400
Exports of goods & services	A	3,887	3,830–3,940
Imports of goods & services	A	4,119	4,060–4,180
Taxes on expenditure	A	2,620	2,580–2,660
Subsidies	A	346	340–350
GROSS NATIONAL PRODUCT	A	16,634	16,380–16,880

Business Notes

No Plateau in Throgmorton Street

ON Tuesday the London stock market tottered to the end of one of its most dismal accounts on record. In that account the *Financial Times* ordinary index had fallen by 8.4 points to 175.6, the Government securities index by 1.88 points to 84.76 and the fixed interest index by 1.74 points to 94.72. On one day alone the ordinary index fell a clear 5 points, and on Monday War Loan touched its lowest point ever at 69½, putting it on a 5 per cent yield. Sellers were in the market, though not in really heavy array, and there were no buyers. And why should there be? Sterling was weak, commodity prices had been falling, the gold and dollar figures were unimpressive and in the background loomed the spectre of wage claims and labour disputes.



The market was sensitive, and to the sound of Mr Macmillan's set speeches a slight rally took place on Wednesday, bringing the ordinary index up to 176.9 and the Government securities index to 85.31. Sterling was a little better, and metal prices had hardened, taking commodity shares up with them. But there were no signs of "grooming" in the gilt-edged market in advance of the Government's re-funding operation on the 1954-56 War Bonds. For many months now the authorities have continued to be net sellers, taking in the 1954-56 issue in exchange for such short-dated stocks as 5 per cent Exchequer and 4 per cent Conversion, and it may be that they are hoping for more sellers of the 1954-56 bonds before the stock goes ex-dividend on July 9th. At the moment the market turns on the slight nuances in the metaphors which Mr Macmillan uses. Its future course will depend on whether economic policy is to be determined by realism and resolution or whether equivocation and expediency will take charge. The ironic outcome, in the short run, is that the first course would be painful for the markets as for many other people,

whereas the second would let loose the false warmth of complacency—for a time.

Pray Silence for Sterling

STERLING does not thrive on the feast of ministerial oratory with which it has recently been surfeited. Words like "disaster" and "the road to ruin" from the lips of the Chancellor of the Exchequer are not always read carefully in their context. They have recently led to some selling of sterling by foreign operators. Sterling has been sold against dollars in the official market, partly on commercial account but also by American interests with sterling commitments which are only covered by forward sales when sterling itself comes under serious pressure. The official rate dipped at one time to \$2.80½ and might well have gone below parity but for some intervention on the part of the Exchange Equalisation Account, particularly on Tuesday when the weakness of sterling was greatest. There has since been a modest recovery following the more reassuring utterances by the Chancellor both in Parliament and at the luncheon table. On Thursday, the pound was supported, oddly enough, by the prospect that the Texas Company will have to buy a lot of sterling if its offer for Trinidad Oil goes through.

The heaviest selling of sterling has come from the Continent and particularly from Germany. Against the D-mark sterling has fallen below the 11.70 line and has been quoted as low as 11.69½; this is still some way from the lower "gold point" of 11.67½, but it is the lowest figure for sterling since last September. A small part of the demand for D-marks is said to be due to the movement of short-term funds from London to Frankfurt on Swiss account. Prevailing short-term interest and forward exchange rates would make such a switch just profitable. This, however, is probably a small factor in the situation. The main demand for D-marks is commercial in character, reflecting the current strength of the German balance of payments. Much of it comes from the Scandinavian countries and France, and the buying of marks has been financed in large part by sales of sterling.

Apart from interest arbitrage and commercial demand, there has also been some recrudescence of speculative operations against sterling, evidence of which is provided by the fact that a number of foreign exchange operators have been looking around for facilities to borrow sterling for a few days in the London market. The substantial short position in sterling of two months ago had been considerably reduced earlier in May—a fact that must make the May gold and dollar reserve even less impressive—but this week short positions were again being expanded.

A Disappointing Gold Gain

THE exchange market was unimpressed by the Treasury's announcement on Monday of the movement in the reserves in May. The rise of \$41 million was taken as a poor augury for the months of seasonal pressure ahead. Another disappointing feature was the fall in the month's surplus with the European Payments Union, from £14 million to £8 million—to be settled next week by a gold payment of \$17 million. The reserves in May benefited from the receipt of \$29 million in respect of the April surplus, and the deterioration in May is still more apparent if the EPU settlement is reckoned in the month to which it relates. On this basis, the surplus before allowing for receipts of defence aid has fallen back from \$78 million in March and \$76 million in April to \$26 million—easily the lowest this year.

RESERVES IN PERSPECTIVE

(\$ million)	Gold payments (—) or receipts (+)*		US Aid	Change in Reserves	Reserves at end of Period
	EPU Settlement	Other Dollar Accounts			
1956 —					
January	— 23	+ 46	6	+ 29	2,149
February	— 8	+ 63	6	+ 61	2,210
March	— 16	+ 78	5	+ 67	2,277
April	—	+ 47	4	+ 51	2,328
May	+ 29	+ 9	3	+ 41	2,369
Total Jan.-May	— 18	+ 243	24	+ 249	2,369
Jan.-May:					
1955	+ 43	— 203	84	— 76	2,686
1954	+ 51	+ 311	75	+ 467	2,985
1953	+ 127	+ 209	139	+ 475	2,321

* Settlements with EPU governed by balance in previous month.

The performance has, however, been rather disappointing right through this season of favourable influences. This is strikingly illustrated in the accompanying table, which compares the gold and dollar balance in the first five months of this year with that in the corresponding periods in the past three years. The rise in the reserves by \$249 million this year looks well against the fall of \$76 million in 1955—but is placed in truer perspective by the gains of \$467 million in 1954 and \$475 million in 1953. A fair part of the shortfall, admittedly, is attributable to lower receipts of defence aid, which is now tailing off to its end; but, on the other hand, considerably more has been received in dollars from off-shore sales and from spendings by United States forces in Britain. The underlying deterioration is in the commercial balance. This year, as the Chancellor pointed out on Wednesday, the main influence does not seem to be attributable to the United Kingdom—visible exports to the United States and Canada have been running at record levels. But the dollar earnings of the overseas sterling countries have been considerably reduced by the fall in the prices of most of the main sterling export commodities.

Bill Rate Up

THE Treasury bill rate again rose above 5 per cent at the tender on Friday last, from the level of just over 4½ per cent at which it had been held since end-April. The discount market had ample reason to reverse the earlier trend—which had brought the rate down from over 5½ per cent on the day after the increase in Bank rate in mid-February, and just under 5½ per cent early in April. The market's increase in the rate by ½ per cent last Friday was stimulated partly by the immediate need to restore its dealing margins, which had been squeezed by the credit stringency in some cases almost to vanishing point.

This consideration, moreover, was reinforced by the weakness of the gilt-edged market and of sterling, not to mention the Chancellor's strictures. The gilt-edged market as a whole has risen in the middle of this week, but the recovery has not extended to the shorts. And sterling has weakened further, in particular against Continental currencies. On the other hand, credit conditions in Lombard Street have been slightly less difficult than in the past week or two, and the market has needed no help from the Bank, either through special purchases of bills or through loans at Bank rate, except on Thursday when a trifling amount was taken at Bank rate. While the weakness in sterling and gilt-edged may for the moment be sufficient by themselves to maintain the bill rate at its current level, or quite possibly even to raise it further, it would be more reassuring if the authorities themselves maintained the requisite degree of pressure through firm tactics in the short loan market.

Texas Offer for Trinidad Oil

THE Texas Company's offer of 80s. 3d. for each 5s. stock unit of the £3,934,685 ordinary capital of the Trinidad Oil Company (formerly Trinidad Leaseholds), a total bid of £62.3 million, is the biggest take over bid of modern times. It is a move that has taken the alert oil press in the United States, as well as the London stock market, completely by surprise. Although the offer is still subject to "certain conditions"—which presumably include the Treasury permission required before the control of a British company can pass outside British domicile—the market apparently believes that these conditions can be met, since the stock, which was priced at 41s. 6d. on Wednesday night before the news came, closed at 72s. 6d. on Thursday after the directors had "strongly advised" stockholders not to part with their shares.

Although Trinidad Oil paid a tax free dividend of 21½ per cent on £3,278,904 capital in 1954-55, there is not enough in its earnings figures to justify a doubling of the market price of its shares. Nor is this justified by the prospects for its crude oil and refining operations in Trinidad. The reasons for the doubled valuation put on its operations by the American company must lie elsewhere. The Texas Company sold its European marketing facilities at the end of 1946 to Caltex, a company in which it has a 50/50 share with Standard Oil of California. As a result of this and of a previous agreement, it secured access to

Middle East crude oil supplies, through a half interest in the Bahrain Petroleum Company and a 30 per cent interest in Aramco; now it also has an 8 per cent interest in the Iranian Oil Consortium. Since Caltex already has a half interest, with Trinidad Oil, in the Regent Oil Company in Britain, the Texas Company already has an indirect link with Trinidad Oil. By obtaining control it should be able to provide much needed additional outlets in Europe for its Arabian and Iranian crude oil.

It is also significant that demand for oil in the Eastern Hemisphere and in the United Kingdom itself increased last year at the rapid rate of 11 per cent, while the rise in the Texas company's domestic American market was only 6 per cent; this difference in pace is expected to continue. A third attraction for the Texas company, which already has widespread interests north of the border, is the investment of the Trinidad Oil Company in Canada, where it has a 90 per cent interest in Regent Refining (Canada). This subsidiary has been expanding its crude oil development programmes, and a large share of the parent company's capital expenditure has recently also been in Canada.

A Little More Unemployment

UNEMPLOYMENT in Britain on May 14th—measured as an absolute number or as a percentage of the estimated number of employees—was slightly higher than in May 1955. The margin was small—237,000 were registered as unemployed three weeks ago, against 223,000 in mid-May 1955—but it was the first time for a long while that unemployment had exceeded the level a year before. The figures of employment, too, suggest that a greater fall has taken place this winter than for several years, and that there has been a smaller recovery than usual in employment this spring.

Figures of employment and unemployment do not change neatly in unison: there are always new people entering the labour force, and others leaving it. During recent months, with the first significant effects of the credit squeeze appearing in industrial production, it seems likely that more of these marginal workers—married women and old men leaving jobs, who may never register as unemployed—have been leaving industry than the simple unemployment figures show. But now discernible increases in the rate of unemployment are appearing in one or two areas. The percentage in the Midlands, for example, is no more than 1 per cent now: but it was only half of one per cent a year ago.

Switch Within Building

BUILDING output in the first three months of this year, far from showing any signs of slackening as a result of credit restraint, actually rose by about 12 per cent in value over the corresponding months of 1955, according to the Ministry of Works. But the Ministry's new index of the cost of new building work shows a six per cent increase over the same period; and the growth in real terms of 5-6 per cent may largely be explained by the much more severe and prolonged cold spell that disrupted outdoor activity in

early 1955. The large number of industrial building contracts placed last year and the time it takes for credit restraint and cuts in subsidies to affect the public house-building programme made some hump in building activity likely during the first half of this year.

Within this increase, the switch from house building to other forms of social investment and to industrial and commercial building has continued. About 18 per cent fewer houses were completed between January and March—although the number still under construction rose slightly—and the private builder is fast catching up with the declining pace of local authority building. The total labour force has grown but there are still more vacancies than unemployed building craftsmen to fill them. Presumably most of them are finding it possible to switch to other kinds of contracts. New work other than housing rose a quarter in value in the first three months. This included a 30 per cent increase in expenditure on industrial building which, so far at least, tallies fairly closely with the information the Board of Trade gathered last year about industry's intended investment in 1956 in new factories.

Sir Bernard Docker and BSA

AMID the TV interviews, the pink champagne and the popular press circus atmosphere that has surrounded the episode of Sir Bernard Docker and BSA, facts tend to become somewhat blurred. Given the imminent cannonade of circulars and the possibility of action in the courts both sides have shown natural reticence, since the matter became public a week ago, in airing the substance of their differences.

Briefly the hard facts can be stated. On Thursday of last week the Birmingham Small Arms Company announced that Sir Bernard Docker had ceased to be a director of the company and no longer held the offices of chairman and managing director. Sir Bernard immediately countered with a statement that "a certain resolution" by the board in no way affected the stability of the company, but that he was considering "whether in all the circumstances and in the best interests of the company, the shareholders and myself, I should discuss the matter with them, or take certain proceedings at law." He ended by stating "I have no more to say now, as I do not desire in any way to injure the company." The following day the new chairman of BSA disclosed that the resolution to remove Sir Bernard from the board had been passed by six votes to three. That sums up the official statements so far issued.

But Sir Bernard has, in fact, said more. He has disclosed in private, but for quotation, that one of the matters in dispute was the amount of expenses charged to the company and incurred in publicising Daimler cars—in particular an item of £7,000 to £8,000 for dresses and a mink coat worn by Lady Docker at the Paris Motor Show. This was queried by the tax authorities and then paid by Sir Bernard. A second issue was opposition to Sir Bernard's proposal that a relation of Lady Docker should be elected to the main BSA board. A third, which may explain the sensitivity of the directors and of some of the big shareholders, was the decline in the profits of the Daimler Company since the beginning of this year. To all these disclosures Sir Bernard has added the information that he proposes to call a special

meeting of shareholders of BSA, for which he needs the support of shareholders holding 10 per cent of the equity. He himself controls 100,000 shares and he would need support from holders of 570,000 shares in all for his purpose.

Among the large shareholders are institutions in the insurance world which only intervene directly in the affairs of companies in which they are interested when they become concerned about them. It seems reasonable to assume that some such concern may have been felt on this occasion and that some initiative was taken, for the "rebels" on the board do not between them control more than a fraction of the shares held by Sir Bernard. The deployment of the forces involved will be as interesting a revelation of the coming proceedings as the airing of the real issues at stake.

More Rubber for China?

MALAYA is naturally pleased that Britain has lifted the five-year-old ban on the export of rubber to China, even though it may be of little immediate help. The ban irritated Malaya because it was ineffective and discriminatory. China could obtain rubber from other producing countries that did not enforce the United Nations' ban; and it could obtain Malayan rubber, if need be, from Russia, since restrictions on exports to Russia were removed two years ago. There is little reason to suppose that China has not been able to get all the rubber it needs. China's total imports may not increase merely because the ban has been lifted, but it may well buy directly in Singapore, and give the market there some much-needed support. The withdrawal of the ban follows the British Government's recent announcement that it will be more liberal in granting exemptions to the strategic embargo on exports to China of goods which are not on the embargo list for Russia and the European satellites; with the principal exception of rubber these goods are of more interest to producers in Britain than the Colonies. Increased use of the exemptions procedure is an interim step until the American government can bring itself to agree that the Chinese list should be no more restrictive than the Russian. For political reasons some semblance of control on exports of rubber to China has been maintained; individual shipments will normally be limited to 2,000 tons at a time.

Rubber prices rallied after the news of the relaxation, closing on Thursday at 23d. a lb, a gain of 1d. on the week. But there was little buying by consumers. A possibility of more business with China must be set against the hard fact of increasing unemployment in the American motor car and tyre manufacturing industries. Last year the American motor car industry used roughly 500,000 tons of rubber (natural and synthetic) for tyres and other equipment, equal to one-third of total American rubber consumption. If the latest forecast of car production this year proves correct, the industry's consumption of rubber could fall by about one-fifth. Now that the big tyre manufacturers are producers of synthetic rubber, natural rubber would presumably have to fall well below the price of synthetic before they would be tempted to use more natural rubber at the expense of synthetic. It is those considerations, and the gloomy news from the British motor industry that weigh on the rubber market now.

Building Societies' Rates

A FAIR number of the smaller and medium societies in the Building Societies Association are now paying 3½ per cent, tax free, on their share accounts. Recently they were joined by the Provincial, ranking sixth in the movement, and by Bingley, another Yorkshire society, ranking eighteenth. Two London societies, Lambeth and Fourth City, have put their rates on shares up to 3½ per cent, tax free. The reason why the building societies are not holding a firm line is clear. Shareholders in the movement, caught in the credit squeeze, are withdrawing their savings—largely to meet their spending commitments. Withdrawals have been particularly heavy in the smaller societies, notably in the Metropolitan area; some members of the movement argue that in addition to the pressure of the credit squeeze the troubles of Exeter Benefit last year have thrown shadow on the standing of the smallest societies.

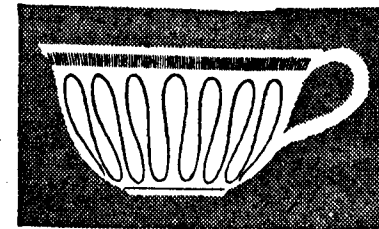
Withdrawals are not pressing so heavily on the giants of the movement. Over the last few months withdrawals from their share accounts have certainly been heavy, but they have not jumped so suddenly ahead as they did a year ago. With the flow of new money remaining reasonably steady, the big societies have been able to hold their own—and to leave their rates on shares at 3 per cent. But deposit accounts, from which companies have been withdrawing short-term money, are still moving erratically and the societies are faced with a large unsatisfied demand for new mortgages.

Sufficient holes have been knocked in the dyke of the Building Societies Association to stir up a keen debate about Mr Algernon Denham's advocacy from his place as the president of Halifax of a two-tier structure of interest rates, with the largest societies paying shareholders ½ per cent less than the smaller ones. Some would claim that *de facto* and somewhat informally this two-tier structure is already being established. Should it be given the blessing of formal recognition? The answer is "probably not," for it might be impossible to draw a formal line of demarcation between "large" and "small" societies. The best hope of those who support Mr Denham's arguments is that a loose, informal loyalty will hold the larger societies together. They would then have to rely on their long-established reputations, actively kept in being by large numbers of branch offices, to withstand the competition of higher interest rates from the smaller, local societies. But some may reply what is good for Halifax is not necessarily good for them and that they must be free to judge the issue in their own circumstances. In the next few months, however, something will have to be decided, for the autumn will bring new and attractive baits for the small saver—once more posing the question whether building societies' rates as a whole are too low.

Trade Dividends from Gatt

THE results of the fourth round of Gatt tariff negotiations were announced in Geneva on Thursday in the form of massive schedules of the new tariff rates. The

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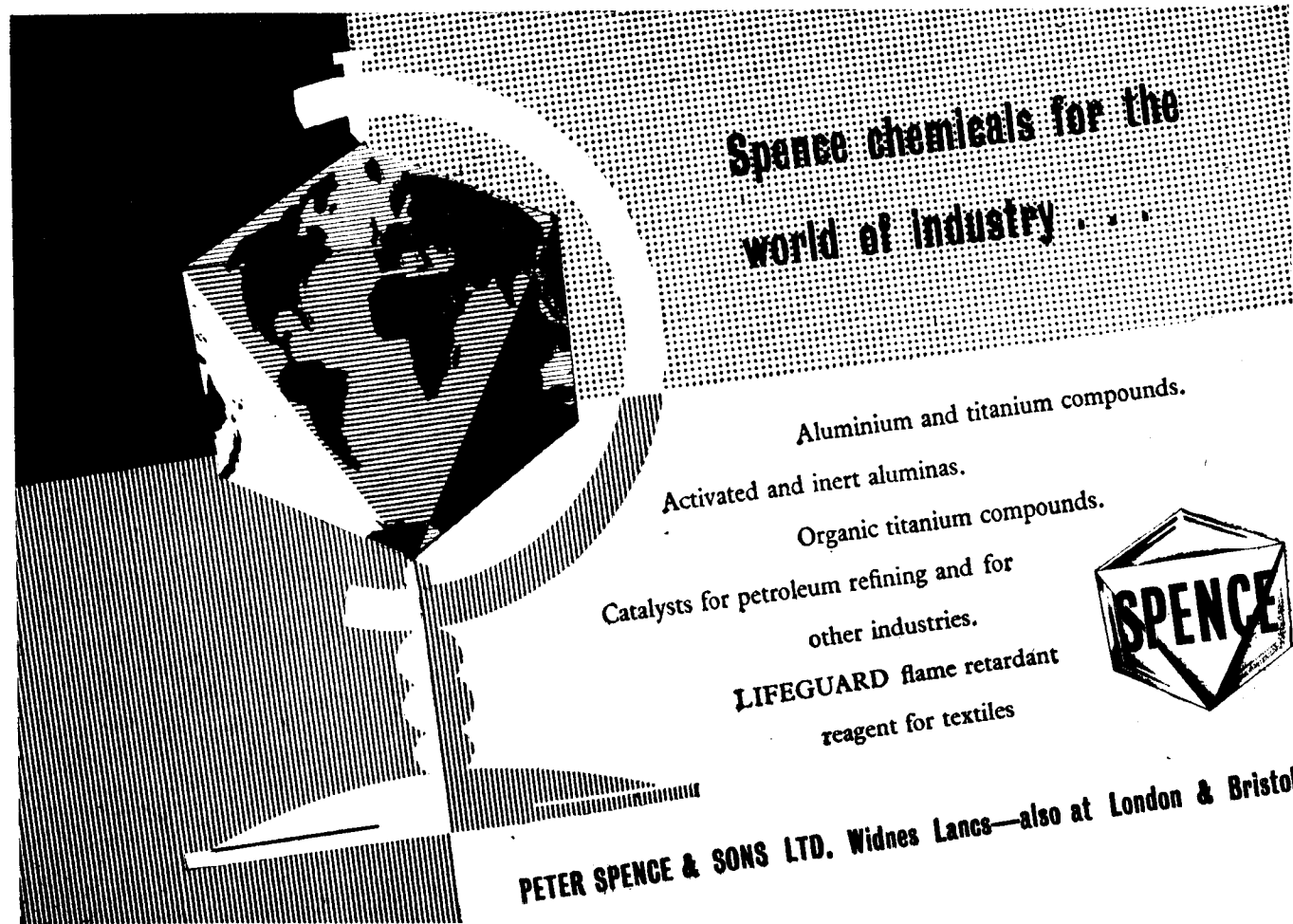
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LLOYDS AGENTS IN PENANG SINCE 1847

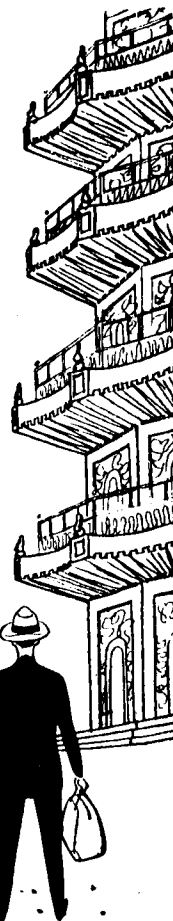
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concessions achieved as a result of the last series of negotiations can only be measured by comparing the latest documents with those issued after the 1950-51 third round negotiations at Torquay. The results as they affect the United Kingdom have also been published in a White Paper. The total concessions secured from the conclusion of 57 bilateral agreements between 22 countries which negotiated in Geneva affect trade amounting altogether to \$2,500 million. The results obtained reveal the dominant position of the United States, not merely in the timing of the latest round of negotiations, but in the measure of the concessions exchanged. The timing of the negotiations was conditioned by the fact that the first of the three tranches of 5 per cent tariff cuts allowed by last year's Reciprocal Trade Agreements Act had to be applied before July 1, 1956, or be lost for ever. The maximum concessions that could be made by the United States amounted to 15 per cent of the existing tariffs or a reduction to 50 per cent of any *ad valorem* duty above that figure. Most of the cuts conceded by the United States in the Geneva discussions were of the order of 15 per cent spread over three years and this necessarily determined the magnitude of the reciprocal concessions made by other countries.

The most important negotiations held by the United Kingdom delegation were those with the United States, Western Germany and the Scandinavian countries. All told, Britain granted concessions on items which in 1954 involved trade of £94 million and secured concessions on trade amounting to £104 million. From the United States the United Kingdom has obtained reductions in duties on motor cars, planes, electric motors, linen, footwear, wool clothing, china clay and whisky. Some of these were intended as an offset to last year's increase in the import duty on bicycles. For the rest they were answered in the main by cuts in British import duties on machinery and tools (from 20 to 17½ per cent), cars (from 33½ to 30 per cent) and aircraft (from 20 to 17½ per cent). Britain made small reductions in certain steel duties, as did the United States, and also the Coal-Steel Community, which negotiated with the Americans on behalf of Germany, France and Italy. The most substantial concession made by the United Kingdom in the course of negotiations was probably the cut from 16½ to 14 per cent in the duty on imports of certain types of paper. This was conceded to the Scandinavians in exchange for lower duties on motor-car tyres, machinery, plastics and other items. This is one of the few concessions which involves a preferential margin since there is a Canadian interest in the paper preference. This, however, is not a contractual preference under the Ottawa Agreement, since Canada in 1947 waived all its contractual preferences with the United Kingdom.

The results of the Geneva fourth round of tariff negotiations may appear modest when weighed in terms of the concessions actually exchanged, but they apply to a wide variety of items in which there is a substantial volume of trade. Further, they maintain the momentum of the movement towards freer trade and for that reason alone are to be welcomed. It would have been unreasonable to expect from the latest negotiations results comparable to those of the earlier rounds; in this field a law of diminishing returns inexorably applies—particularly when, as is now the case, a large number of participating countries have such low tariffs that they are virtually deprived of bargaining power.

Cold Sense on Printing

INSTEAD of the racy remarks about competition in the newspaper business with which he often regales the annual meeting of Daily Mirror Newspapers Ltd., Mr Cecil King this week gave his shareholders a cold and dispassionate review of the labour situation in the London printing industry—less colourful, but equally penetrating. He outlined the unbalanced structure of trade union organisation within the industry, in which the large majority of workers in newspaper printing, for example, are members of the two “non-craft” unions in the industry, while the seven craft unions, inhabiting “one of the strongest citadels of craft unionism in the country,” have in fact fewer members. In this trade, as elsewhere, flat rate increases in wages across the industry—to which the craft unions agreed—have had the effect of whittling down the differentials to which they cling as a monetary reward for skill. Today the non-craft unions are the most uncompromising in enforcing their claims for more men on jobs and more money for them—while the craft unions, not to be outdone, are restricting apprenticeship to keep their numbers to a minimum, enabling them to argue their own claims on the basis of labour shortage. The genuine amount of skill actually required is often questionable, and some skilled men are doing work unskilled men could do just as well; but union restrictions and demarcation lines make it impossible for most unskilled men to obtain any promotion, which throws them back to concentrate on pushing up their take-home pay.

Mr King, again characteristically, had no kinder words for his colleagues in newspaper management, or their own association:

The Newspaper Proprietors Association has in general failed to give them the necessary support and has shown itself to be a feeble body on most labour matters. . . . No one denies that the industry is peculiarly vulnerable to strikes, but it is highly questionable whether the threat of strike action has in fact been diminished by a vapid theory that the unions should be appeased at all costs.

Perhaps less characteristically, he had no solution to offer—nor any confidence to hold out to his shareholders that the characteristic process by which this industry periodically takes time out for a good gnaw at its own vitals will not continue.

Development Areas Come Into Line

FOR the time being no more public money will be put into building or extending factories in the development areas—except in “cases of special importance or emergency.” This decision, announced in the Commons this week, is in line with the Government's restraint upon excessive investment, but it is in fact little more than a timely recognition of changed conditions. For it has long been clear that these particular powers bestowed by the Distribution of Industry Act have largely become unnecessary, with the general tone of new prosperity now displayed in most of these areas. They employ 18 per cent of the

(Continued on page 1021)

Europe's Fuel Gap

DURING the past eight years fuel consumption in the rest of Western Europe has been rising about three times as fast as it has in Britain, and though the Continental coal industries have managed to expand output faster than the National Coal Board, they have been even less able to cope with the surge of total demand. Britain's fuel problem is certainly the most publicised of any in Europe—perhaps because Britain realised first what the trends implied—but it is not in all ways the most difficult. In 1948 the other countries in the Organisation for European Economic Co-operation used fuel equivalent to about 310 million metric tons of coal, and output from their own mines covered about 60 per cent of it. Their consumption last year had risen to about 475 million tons of "coal equivalent," towards which their mines supplied some 250 million tons, not much over half of the total. Even last year coal output here covered nearly 90 per cent of total British fuel consumption.

Other countries in Western Europe have much more hydro-electricity than Britain; some have oil and natural gas as well. There is no common pattern of energy among the 17 OEEC countries. But a group of experts who have been studying the likely development of fuel demand and supplies in the OEEC area, led by Sir Harold Hartley, have concluded in a report published this week that most of these countries may soon face a common predicament. If they are to achieve the economic expansion that on recent performance looks to be within their powers, their total

demand for energy is likely far to outrun the supplies at present expected to come from domestic resources.

This very broad estimate of the size of Western Europe's fuel problem has been arrived at by methods of projecting fuel demand that have become fairly familiar in the last couple of years. But it is one to which the rather official stamp of any survey issued by OEEC—as compared, for example, with the more idiosyncratic calculations of the Economic Commission for Europe—lends some special weight. The group consisted of fuel experts in their own right; it had the benefit of the best national estimates, official and unofficial, of energy demand and supplies in each member country; its secretariat prepared independent estimates for each member nation and for the 17 nations as a whole by various methods; and it

FUEL CONSUMPTION AND SUPPLY FORECAST IN THE OEEC AREA, 1960 AND 1975

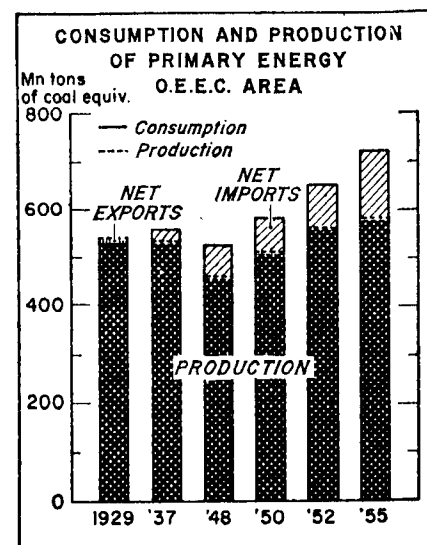
(Million tons of Coal equivalent)

	1955	1960	1975
Inland Consumption:			
Mean of estimates	730	840	1,200
Indigenous production:			
Coal	478	500	520
Brown coal	31	35	35
Hydro power	57	75	130
Crude oil	13	25	50
Natural gas	5	10	20
Total	584	645	755
Potential "Fuel Gap"	146	195	445
Covered by imports of:			
Nuclear fuels	—	—	80
Coal	29	40	50
Oil	117	155	345

had the benefit of similar estimates from several of the major oil companies—who have the greatest possible interest in getting these particular sums right for themselves.

This answer thus reached suggests that energy consumption in the OEEC area, which totalled about 730 million metric tons of "coal equivalent" in 1955, might reach 820-860 million metric tons by 1960 and 1,100-1,300 million metric tons by 1975.

What about supplies of fuel? From plans now in train, the experts can see an increase in indigenous production of the "conventional fuels" from the 584 million metric tons (measured as coal) of last year to perhaps 645 million tons by 1960 and 755 million



tons by 1975. The arithmetic of the fuel gap is depressingly easy: the equivalent of nearly 200 million tons of coal may need to be imported by 1960 and of nearly 450 million tons by 1975.

These experts, perhaps more firmly than any other forecasters of recent years, are concerned to get the prospects of the unconventional fuel, nuclear energy, into the right perspective. Without disputing that it will pay Britain, and probably some other countries in Western Europe, to build all the nuclear power stations they can in the period, the experts are clear that for many years to come "coal must remain the mainstay of the Western European energy economy. We are all agreed that today its future is being seriously prejudiced by misconceptions in the public mind as to the part they expect nuclear energy to play in the near future." On all—including atomic—advice, they themselves put the likely contribution of nuclear energy in Western Europe by 1975 at perhaps the equivalent of 80 million tons of coal, which would meet only about 8 per cent of the OEEC area's total fuel demand.

This leads the experts to two conclusions: first, the inevitable estimate that Western Europe will need vastly increased imports of oil; second, the rather less usual suggestion that it can and ought also, by putting sufficient effort and investment in, get significantly more coal than the present snail's pace of growth appears to offer. They urge considerable increases in coal investment not merely because coal output, in terms of the capital cost of getting an extra ton, is still perhaps the cheapest fuel production to increase of any. They are concerned—as they may well be—with the possible effect upon the balance of payments countries in Western Europe of importing vast amounts of extra fuel.

(Continued from page 1019)

total insured population and "serious" unemployment is on the whole now found only in small, localised patches. Private industry has lately been putting up three times as many factories there as the Government, and those managed or leased by the Board of Trade now employ fewer than five per cent of the areas' total labour force.

Since the war the Government has used its powers to invest £62 million in establishing factories in development

Development Area	Board of Trade Factories		Insured Employees	
	Floor Area	Tenants	B-o-T	Total
	('000 sq. ft.)	(No.)	('000)	('000)
South Wales	12,869	361	64	716
Scottish	14,358	358	62	1,194
North Eastern	11,617	310	49	1,020
W. Cumberland	1,413	32	6	52
North Western	1,271	24	5	857
	41,528	1,085	186	3,839

areas and another £6 million in loans. It has about a thousand firms as tenants, including 60 from overseas, most of them American. Since 1951 new factories have been leased for periods of 21 years at rents that represent current market value in each locality, with rebates of up to 50 per cent during the first five years. There would be little logic in continuing to offer such a selective subsidy to investment at a time when industry as a whole is under pressure to prune its growth.

Smaller Profits from Courtaulds

SHAREHOLDERS in Courtaulds have had ample warning that the group's profits were declining in the year to March 31st last and that the directors expected to do nothing more than maintain the ordinary dividend of 10 per cent. In the preliminary statement, announcing a 10 per cent dividend and reporting a fall in gross profits before tax from £20,048,321 to £18,168,854, the directors say that in spite of intensified competition in the textile industry, sales both at home and overseas have been well maintained. Profits earned abroad have in the aggregate increased but at home there has been a further increase in manufacturing costs and the margin between these costs and selling prices has been narrowed. Courtaulds, as the producer of the cheapest textile staple, viscose rayon, has pursued a policy of price stability and this policy will be discussed in the statement by the chairman in July.

The group must have continued to invest in new capital equipment for the benefits received from investment allowances have risen from £380,000 to £560,000. After crediting these reliefs, tax has fallen from £8,542,680 to £7,111,482, cushioning the fall in net profits. These have fallen from £11,016,032 to £10,025,555, from which the ordinary dividend takes £2,764,568. At the current price of 37s. the £1 ordinary stock units offer a yield of about 5.4 per cent on this dividend.

Deuce on the Payroll

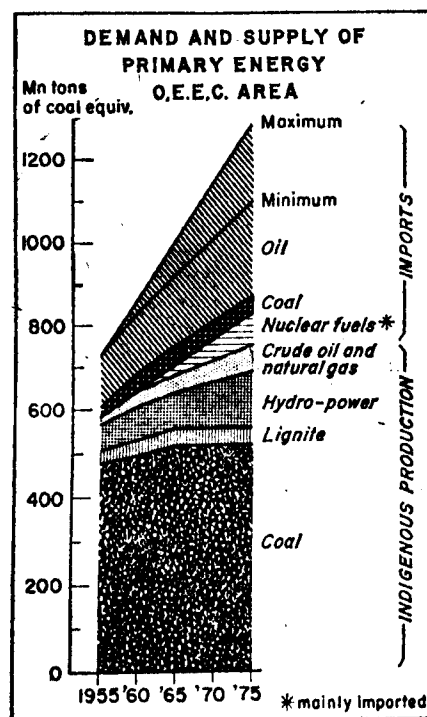
AS a report from the Trades Union Congress recognised this week, many experts consider that automation is likely to have much more significant effects upon employment in the office than in the factory—largely because effort on the factory floor is far more mechanised to start with than office work. In particular, large amounts of routine book-keeping, such as payroll work, offer obvious possibilities for the employment of digital computers. In Britain, so far, few companies have any experience of using computers in this way, but an excellent case study* of exactly how one could be used in payroll accounting has just been published by a group representing the National Physical Laboratory (as computer experts), the Ministry of Pensions (as the user) and the Treasury (contributing its experience in "organisation and methods"). The NPL computer Deuce, assumed to be fitted with magnetic tape equipment which is not yet available in Britain, was used to prepare a notional payroll for the 3,400 staff in the Ministry of Pensions' central office in Newcastle. The group found that this work could be done by the computer in one hour a week, but would require 43 man hours to code the pay data on to "input" tape, and 8 hours to print its results. The wages staff would be reduced from 22 full-time workers to 11, mostly part-time. If used only for this work (i.e. if the computer were left idle for all but one hour a week) the total annual cost, including capital charges, would be £16,200 against £12,700 a year by customary methods. But if full use could be made of the computer, by providing it with another 39 hours of other work a week, its cost could be reduced to £2,700. In each case the machine, which costs £42,000, would be written off over a ten year period, and was assumed to carry an interest charge of 5 per cent. Even if the machine could not be fully utilised, the study concludes, it could be used economically on payroll work alone by firms with over 5,000 employees—a conclusion which is broadly in line with American experience.

Two points, even in this admirably detailed study, could have been examined more closely. The group might well have made more than passing reference to the advantages of redesigning the entire system of office work in order to make better use of the computers. Some American firms have employed teams of systems experts for as long as two years before installing their computers. But if such extensive preparations were made the full cost of programming the work for the computer, although eventually justified by fuller machine utilisation and lower operating costs, would be more than the "small part of total capital cost" which this study group felt able to ignore. These points should be examined more closely when this excellent "operations" approach to the use of computers in payroll accounting is extended, as it should be, to other office work.

Mr Clore in Scotland

WITH Scottish Motor Traction Mr Charles Clore has used his customary tactic. When the directors turned down his overtures to them, he appealed directly to the shareholders, offering one 5s. "A" non-voting ordinary

* Wage Accounting by Electronic Computer. HM Stationery Office. 2s. 6d.



share in Sears Holdings for every 5s. ordinary share in SMT. The directors of SMT made a familiar response, promising shareholders a bigger slice of the cake in the future, and thus implicitly admitting that the shares were undervalued. Mr Clore has now made his counter reply. In the meantime, a skirmish on the sidelines has developed between Sir Andrew Murray and the other SMT directors who turned him out of the chairmanship when he took a more favourable view of the bid than they did. Such dissension in the board-room can only be to Mr Clore's advantage.

The pros and cons are now there for shareholders to consider. The SMT directors have said that they would raise the ordinary dividend from 10 to 20 per cent; Mr Clore has replied that the Sears dividend will be at least 20 per cent and seems to have a bigger earnings cover than the projected SMT dividend. In answer to the recent acquisition of Alexander Findlay by SMT for £650,000 Mr Clore says that a transfer of control to Sears will not "in any way hinder the growth" of Alexander Findlay, which is associated with atomic developments. The directors of SMT say that they aim to employ funds amounting to £1,200,000 which are now in marketable securities and short-term loans to secure a return of at least 20 per cent, compared with the current return of 6 per cent (thus conceding that they have been underemployed). They then explain that the underlying assets of SMT (including Alexander Findlay's) are worth at book values 10s. 10d. per 5s. share and at current values about 13s. 6d. a share; they estimate the assets value of Sears to be about 6s. 9d. a share, and they add that SMT has proportionately more of its assets in liquid form than the Sears group. The reply of Investment Registry to all this is succinct:

The offer by Sears has been based neither upon theoretical calculations of asset values, nor upon hypothetical assumptions as to the earnings which should be obtained if those assets were fully and remuneratively employed. Primarily, the Sears Board have had regard to the present values of the respective shares and stock units of the two companies, viewed as continuing businesses and with due regard to past achievements.

The question that shareholders must decide between now and June 18th is whether the shares of SMT would be worth their current price of 12s. 7½d. without Mr Clore's offer. They will recall that before the bid was rumoured these shares stood in the market at a price well below their asset value. Usually, market prices are well above assets values, reflecting the company's ability to earn profits and its willingness to pay dividends. The reversal of the normal order virtually concedes Mr Clore's case that the assets were not being fully employed. This fact should not be obscured by a Scotch mist of national pride.

Wool Industry Buoyant

Two great textile industries lie on either side of the Pennines, but for all their proximity they live in vastly different worlds. The Lancashire cotton industry is contracting. Exports are dwindling, the home market is challenged by imported cloth, and America's attempts to dispose of its surplus cotton have long destroyed confidence in prices. The Yorkshire wool industry must seem an enviable haven of stability in comparison. Output remains

high, exports are buoyant and the raw wool market is almost free from government interference. The industry is not without its troubles: competition in many markets is fierce and not always fair, and supplies of Australian wool are again held up, this time by the shearers' dispute. But these are not big worries at present. The recent rise in prices of merino and fine crossbred wool has stimulated business and orders books have lengthened. That rise owes much to Japanese buying in Australia, but it also reflects a change in demand. Demand is shifting from woollen to worsted cloth—and therefore from crossbred to merino wool—partly because women's fashions are changing and partly because crossbred wool has become relatively dear.

UK EXPORTS OF WOOL GOODS

	January to April	
	1955	1956
Tops, million lb	25.8	28.1
Yarns, million lb	7.2	7.9
Fabrics, million sq yds	34.4	43.5
Value, £ million	39.9	39.5

The shift is illustrated by the trend of consumption. While total consumption of wool in the first four months of this year was just one per cent lower than in the same period of 1955, consumption in topmaking (the worsted process) was 2½ per cent higher while consumption in woollen spinning was nearly 8 per cent lower. Both sides of the industry used more merino and less crossbred wool than in the same period of 1955. Topmakers will be thankful that worsteds are returning to favour, but they still complain about the prices that have to be accepted.

In overseas markets the industry is holding its own. Exports of tops, yarns and fabrics in the first four months of this year were all higher in volume than in the same period of 1955, though the value was slightly lower owing to the fall in wool prices last year. Exports of tops to China, now Britain's largest market for tops, rose by £750,000 to £2.1 million. Exports of fabrics to the United States and Canada, the two leading customers, rose sharply: shipments to the United States rose by £930,000 to £4.17 million and shipments to Canada rose by £600,000 to £3.73 million.

Electricity for Railways

SINCE the electrical manufacturing and electricity supply industries both stand to gain much from railway electrification it is not surprising that "Electricity and Transport" was chosen as the theme of last week's Electrical Power Convention at Torquay. Most of the papers were in fact devoted to railway electrification; and the occasion was used by electrical engineers from all three industries for some hard talking about the wide and controversial implications of the decision the Transport Commission announced two months ago that it would standardise its future plans largely upon 25 kV alternating current supply fed from overhead contact wires through rectifiers to direct current traction motors.

For the railways there is no doubt that this combination of the technical and economic merits of high voltage ac supply at standard frequency with the ruggedness and



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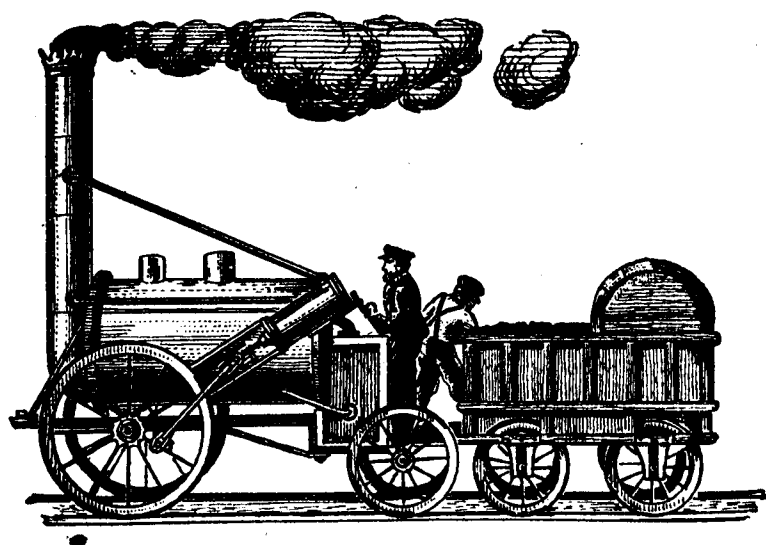
Furthermore, this far greater efficiency in the use of fuel is being achieved with much poorer grades of coal, so that the better grades are released for urgent home and export needs and more effective use is made of the nation's coal supplies.

With Britain's demands for electrical power doubling every ten years, the development of atomic power generation is vital to her future progress and to conserve her coal resources.

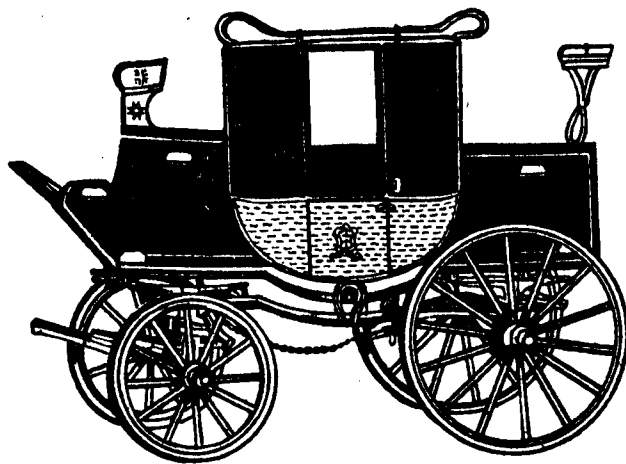
In this field, also, Babcock & Wilcox are playing a leading part, being already engaged in building the specialized steam-raising plant for Britain's first atomic power station.

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better all-round performance of ac-dc rectifier locomotives and multiple train units is by far the best choice, as experience in France and more recent studies in this country have shown. It also has the merit of ending, in this marriage by mutual consent, the long controversy about the relative advantages of the two systems. But this type of traction is relatively new in railway electrification and the manufacturing and railway industries, particularly, have an impressive amount of research, development, and simplification ahead of them. Electrical manufacturers are by now fast becoming the largest single exporting group, but electric traction exports have lagged behind the rest of the industry; the adoption of this ac system for main line traction here should open up a valuable home market which could act as a proving ground and shop-window for business with the other countries that are beginning to standardise their future programmes on the same system.

The Transport Commission has estimated that its annual electricity consumption for traction purposes under the electrification programme will rise by about 1,500 million kWh by 1970 from rather under 900 million kWh now. This new demand will not present any major technical problems; it will moreover be a minute additional load set against the Central Electricity Authority's prospective expansion, and there will be an added attraction in that much of this new load will occur outside normal peak hours from the night movement of freight. Both industries have a number of problems still to be thrashed out, including the methods to be adopted of charging for this extra demand for current and also perhaps whether the electricity used

by the railways in their ancillary services should in future be taken from the overhead wires and charged for accordingly.

Burning Coal Underground

To the outsider, underground gasification of coal—burning it in the seam, not in the grate—is one of the most intriguing of all those projects that fuel experts generally class rather patronisingly as "minor sources of energy." It has not perhaps the glamour of solar energy or harnessing the tides, but somehow it sounds a lot simpler. This it may be, but it is not very simple at that, as experiments on and off during the last 40 years have shown. Since the war such experiments have been carried out in the United States, in Britain, and in several parts of Europe. The British trials have had their disappointments; but the results have been promising enough for the Minister of Fuel and Power to announce this week that a pilot plant will be set up with the co-operation of the National Coal Board and the Central Electricity Authority to study the economics of burning coal underground and using the gas thus produced to run a gas engine and generate electricity on the surface.

Two of the techniques upon which most hopes were placed in Britain involved no underground work at all. Boreholes were drilled from the surface to the coal seam,

Snapshot of the Stock Market

THE statistics published by the London Stock Exchange at the end of its financial year are snapshots of the market on one particular day. The year to March 29th was an exciting one; but little of that excitement is revealed in this statistical picture—except, perhaps, in the figures of bargains marked, which were 2,594,744, compared with 3,218,749 in 1954-56. There is no compulsion to mark all bargains and the figures may vary because of pressure of work or even the whim of brokers but the figures suggest the general inference that more stock may change hands when the market goes up than when it comes down.

These yearly snapshots miss the peaks and troughs. On March 31, 1955, the *Financial Times* ordinary index stood at 183.0; a year later it stood at 180.1. But in the meantime it had climbed to a peak of 223.9 in July and fallen to a low of 175.7 in March. The Stock Exchange computations show that over the year the market value of all ordinary stocks crept up from £12,792 million to £13,426 million, while their nominal value (thanks in unspecified parts to new cash issues and free scrip issues) increased from £4,170 million to £4,578 million. In the "Commercial and Industrial" list alone the market value of ordinary shares went up from £5,699

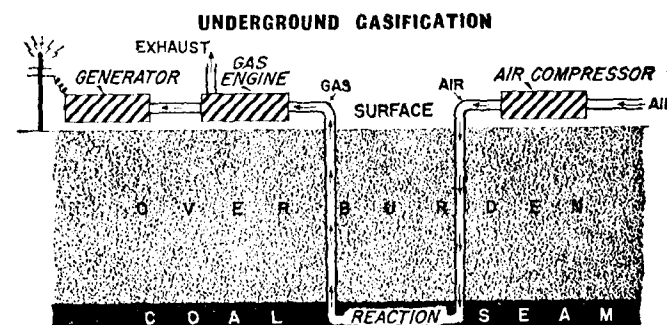
million to £5,737 million and more significantly in the oil list from £1,640 million to £2,082 million. The gilt-edged market, however, continued to de-

cline, with the market value of British Funds alone falling from £12,900 million to £12,151 million although there was a rise in the nominal amount of stock quoted from £14,588 million to £15,010 million.

THE SHAPE OF THE MARKET (£ million)

On March 29, 1956	Loan Capital		Preference Capital		Ordinary Capital	
	Nominal Value	Market Value	Nominal Value	Market Value	Nominal Value	Market Value
THE COMPANIES:						
Breweries.....	106.1	79.1	92.8	80.5	176.5	424.2
Banks.....	37.2	35.0	7.2	5.0	277.3	778.4
Commercial and industrial.....	378.7	289.5	928.9	828.6	2,205.9	5,737.5
Iron, coal and steel.....	49.1	43.1	49.4	42.8	248.9	507.3
Oil.....	25.7	23.4	37.5	44.6	345.2	2,082.4
Shipping.....	16.0	14.3	26.2	22.9	103.0	180.4
South African mines.....	16.3	16.7	11.3	10.1	229.4	807.0
Investment trusts.....	161.9	126.0	129.9	100.9	197.7	509.9
All companies.....	1,117.6	841.6	1,570.4	1,300.3	4,547.7	13,426.1
THE FUNDS:						
	On March 31, 1954		On March 31, 1955		On March 31, 1956	
	Nominal Value	Market Value	Nominal Value	Market Value	Nominal Value	Market Value
British Government.....	14,551.4	13,454.2	14,587.6	12,900.4	15,009.6	12,150.9
Government Guaranteed.....	2,850.2	2,564.6	2,994.3	2,632.9	3,328.4	2,526.6
British Corporation.....	426.2	394.6	430.8	385.7	431.1	344.2
Dominion & Colonial Government.....	703.3	651.9	729.1	659.5	741.0	597.6
Foreign Bonds.....	1,805.8	244.9	1,786.1	233.7	1,730.6	244.7
All gilt-edged and foreign.....	20,701.7	17,615.9	20,944.1	17,150.6	21,607.9	16,136.2
All securities.....	26,853.1	30,503.2	27,749.2	33,796.4	28,852.6	33,633.3

and attempts were made to pass air down one borehole, to a coal seam, ignite the coal and produce a stream of gas through the seam and up another borehole without any preparation underground. One way was by forcing air down at high pressure into a faulty seam, through which it worked its way through fissures to other boreholes. The second was "electro-linkage," by which electrodes were inserted down two boreholes and a current passed between them through the coal seam. The heat generated by the resistance of the coal gradually carbonised a path between



the two electrodes, because the coke formed has a lower electrical resistance than coal. Both techniques worked, but appeared likely to require great expenditure on development. More successful results were obtained by sinking shafts and passing the air for carbonisation along boreholes in the coal at seam level. Nearly 5,000 tons of coal have been gasified in about 50 trials, and rates of over 20 tons a day have been maintained on single systems, enough to generate about up to 800 kW. Costs at first appeared uneconomic; latterly, as the price of gasworks and power station coal rose, they begin to look more competitive.

Handyman in a Reactor

ELECTRICITY authorities must have wondered occasionally what happens when something breaks inside the reactor of an atomic power station. Does the reactor, contaminated through and through with radio-activity, have to be sealed off for all time and a new one built to take its place? When atomic plants were first designed, this seemed inevitable. But in a recent paper to the Institution of Chemical Engineers, the works manager of the Atomic Energy Authority's plutonium plant at Windscale, Mr. H. G. Davey, gave a somewhat hair-raising description of how running repairs have in fact been already carried out to pieces of the Windscale reactors which disconcertingly came apart. The fuel elements, little aluminium-encased rods of uranium that are packed one on the other down narrow channels in the graphite structure of the reactor, sometimes came adrift and turned up in air channels where they had no business to be. Two metal plates, so torn and distorted that they were hard to identify, fell in succession off the back face of the reactor; and a third plate bent away from the graphite face and fouled the equipment used to detect leaks in the fuel elements—a vital element in plant operation.

The engineers dealt with these potentially dangerous failures with a variety of tools: anvils and chisels, television cameras and oxy-acetylene cutters, and some odd-shaped hooks and tweezers, all remotely operated from distances of

as much as 60 feet, and inserted through inspection holes and fuel channels that were never wider than 4 inches. In what Mr Davey ambiguously describes as "the strange working conditions," engineers have grown so confident of their developing repair techniques that they have spot welded 121 bolts and made 180 strengthening welds to the pile face, and are planning to re-weld missing plates in some even more remote and radio-active positions.

The biggest undertaking so far was a repair carried out almost inside the reactor itself. One of the brackets holding the detecting equipment in place broke off. As the equipment is essential to the safety operation of the reactor, some kind of repair had to be attempted. The way it was done was a masterpiece of ingenuity. The engineers obtained access to the broken bracket through the duct that carries the spent fuel elements away from the reactor. They worked on fixing a new bracket from the protection of an improvised box made of 2-inch steel plates, which cut off the most serious radiation. The maximum time allowed per man was 25 minutes, and it took 251 men to do what was in all other respects an essentially simple job. Most people will feel that Mr Davey's tribute to the "courage, the ingenuity and the tenacity of purpose" of the men who devised and carried out the repairs was well earned. It demonstrates, moreover, that regular maintenance and repairs—of a rather unconventional kind—is possible on atomic plants.

SHORTER NOTES

The possibility of an issue from Free State Geduld has been overshadowing the Kaffir market for some time. Now Anglo-American has agreed to replace the temporary loan facilities of £4½ million with a loan of £5 million, at 6½ per cent, open to December 31, 1960. For granting these facilities, Anglo-American has been granted the right to subscribe for 497,346 shares at 80s. each on December 31, 1957. On the same date shareholders will receive the right to subscribe for 703,900 shares at the same price. The money received from this issue will be used to reduce the loan. On the eve of the announcement FS Geduld were quoted at 86s. 10½d. and shareholders have eighteen months to see how this developing OFS mine is faring.

Sir Ernest Oppenheimer, chairman of De Beers Consolidated Mines, has announced that sales of gem diamonds by the central organisation amounted to £20,465,000 in the first five months of this year, a fall of £3,008,000 compared with the same period of 1955; sales of industrial diamonds fell by £297,000 to £8,758,000. The fall in sales, said Sir Ernest, reflected a drop in supplies, not in demand.

The multilateral payments scheme under which Brazil pools its earnings of sterling, deutschmarks, Belgian francs and Dutch florins for spending in any part of the combined currency area has been extended to embrace the Italian lira. Further extension to cover the currencies of Austria and France has been under discussion in Rio.

The Board of Trade is to dispose of about 1.8 million cu. ft. of imported hardwood from the strategic stock, in addition to 150,000 standards of softwood.

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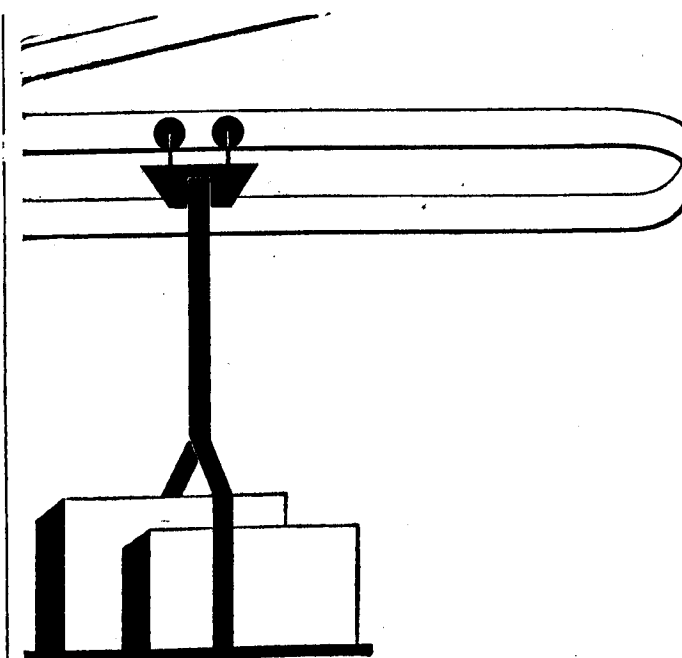
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Company Notes

GUEST, KEEN AND NETTLEFOLDS. The £1 ordinary stock units of Guest, Keen and Nettlefolds, currently yielding about 5½ per cent, have long been numbered among the growth stocks. Why they are made plain in the full accounts for 1955. Over the year the group earned a trading profit before depreciation of £22,754,701, compared with £15,956,697 in 1954. Part of the increase was simply due to the inclusion of a full year's earnings of the South Wales steel subsidiaries (against about 7½ months' earnings in 1954) and one month's earnings of Brymbo Steel and John Lysaght's, acquired by Guest Keen in December.

But there was a "notable increase" in turnover throughout the group, reflected in the rise in stocks and work in progress from £26,033,519 to £34,598,672. The higher level of production and the more efficient use of capacity enabled the group to absorb many increases in costs, though it had to pass on the higher prices of raw materials to its customers. But, as Mr K. S.

	Years ending	
	Jan. 1, 1955	Dec. 31, 1955
Consolidated earnings:—		
Trading profit.....	15,956,697	22,754,701
Depreciation.....	3,551,796	4,222,399
Taxation.....	6,942,956	9,931,217
Loan interest.....	331,468	503,109
Net profit.....	5,102,222	8,142,950
Ord. dividends.....	1,315,962	1,596,508
Ord. dividends (per cent)*	10	12
Retained profits.....	3,587,805	6,608,618
Cons. balance sheet:—		
Net fixed assets.....	35,393,710	52,085,827
Net current assets.....	45,697,848	51,713,965
Stocks.....	26,033,519	34,598,672
Debtors.....	19,150,233	25,556,024
Net liquid assets.....	15,528,493	12,060,760
Loan capital.....	9,323,506	20,831,689
Revenue reserves.....	28,058,889	33,684,903
Capital reserves.....	15,318,119	6,593,354
Ordinary capital.....	11,568,895	23,137,790
* £1 ordinary stock at 45s. yields 10½ p.c. on present capital.		

Peacock, the chairman, points out, the ratio of profits to sales is small and with most of the plant working close to full capacity there is only "limited room" for an improvement in the profit ratio "whilst on the other hand it could be greatly reduced by a fall in the volume of orders." And, though the current year opened satisfactorily for the group both in regard to profits and to orders, those subsidiaries supplying the motor trade and the manufacturers of domestic appliances, furniture, radio and television have begun to feel the cooling winds of recession.

The increase in production was built up on the heavy capital outlays of earlier years. Last year, the group spent £8,997,271 on capital account, bringing the total over the last six years up to £41,114,831. This is already an impressive sum, but the group's confidence in the future is demonstrated by capital commitments, stretching over the next two or three years, of the order of £16 million. Some of that will be spent on further developments at Brymbo and John Lysaght's.

The acquisition of these two subsidiaries accounts for £15,145,678 of the

growth of the gross book value of fixed assets from £52,263,256 to £75,589,884. That is balanced in part by the new unsecured loan of £9 million from the Iron and Steel Realisation Agency. The loan is repayable on or before June 30, 1958, but the directors of Guest Keen believe that "at an appropriate time before that date John Lysaght's Scunthorpe Works might obtain finance on a long-term basis to provide a substantial part of the funds required to repay this temporary loan." It seems clearer than ever before from this report that growth at Guest, Keen and Nettlefolds will come from a steel base.

GODFREY PHILLIPS. About eighteen months ago Godfrey Phillips, one of the smaller tobacco companies, took the risk of launching a new brand of cigarettes in a market free from quotas and already intensely competitive. The venture did not succeed, for sales of the new "Red and White" cigarettes fell "considerably short" of the directors' hopes. Later in the report, indeed, the directors talk of trading losses in the United Kingdom. These revenue losses would have been much bigger had not the exceptional advertising of the new brand, which absorbed £325,287 in 1955, been charged entirely to a development and contingencies reserve, which had been built up specifically to absorb such expenses.

In strict accounting terms, the net loss of £148,219 in 1955, compared with a net profit of £30,087 in 1954, cannot be attributed directly to the failure to secure the anticipated market for "Red and White" cigarettes. In fact, the group's gross trading profits were practically unchanged at just over £640,000. But it had to pay in bank and other interest £179,496—just over twice the amount it paid in 1954—and at the end of December, despite a slight reduction in stocks from £10,925,780 to £10,717,164, its bank loans came to £3,947,313 (against £2,847,736). The loans went up to meet the finance required to launch the new cigarettes and the burden of interest on them was heavy because of the rise in money rates. Moreover, taxation absorbed £278,539, against £186,069, a charge disproportionate to the year's profits, because full relief on trading losses in Britain could not be set against earnings overseas. Nor were earnings abroad in such good shape as they had been in 1954. In Australia, where Godfrey Phillips runs its own distributing organisation, the group suffered a "serious setback"; the return to competitive conditions in Australia seems at least as exacting as it has been in this country, and it came more quickly than had been expected. Had it not been for this setback the group would have been able to report "much better results."

But Godfrey Phillips is not throwing good money after bad. A small but steady market in the "Red and White" cigarettes has been established. Production of the brand has been cut back and

the company is clearly making every effort to reduce stocks and, hence, its bank loans. This year there will not be the exceptional advertising costs to meet and, along with the other manufacturers, Godfrey Phillips should secure a margin of advantage from the increase in cigarette prices to outweigh higher wages and increased costs of packing. This year, too, it should benefit from its purchase of the goodwill and brand names of George Dobie, which together with shares of two subsidiaries of Dobie it secured for £430,000. Sales of its more profitable brands have recently increased and the directors now describe the business, outside Australia, as "more surely founded" and look forward to a "distinct improvement" in trading results.

There are some investment morals in this report. First, the smaller companies must look more and more to the markets in special brands of cigarettes outside the normal 3s. 6d. and 2s. 9d. ranges of prices. Second, in many export markets, where BAT is as strong as Imperial Tobacco at home, it is not plain sailing for the smaller concerns. Third, competition is as acute as ever and it might not necessarily be to the advantage of the smaller companies to resurrect coupon trading—though some of them may try when the Restrictive Trade Practices Bill becomes law. All these factors must be weighed in considering whether Godfrey Phillips, having passed its final dividend after paying an interim of 2½ per cent, can ultimately restore the ordinary dividend to the 1954 level of 10 per cent.

METAL BOX. No one can be disappointed with the Metal Box final ordinary dividend of 6 per cent; when the interim dividend was increased the directors said firmly that they could not foresee circumstances in which the total payment would be more than 10 per cent. The 10 per cent dividend is paid on a capital of £13,148,948, as increased by the 100 per cent free scrip issue and the two for five rights issue; it is equivalent to the 20 per cent for 1954-55 paid before the scrip issue was made. On this dividend the £1 shares offer a yield of just over 4 per cent at the current price of 49s. 6d.

This is a low yield, but the expansive qualities of Metal Box are certainly confirmed by the trading results for the year to March 31st. The group's income from sales and investments has jumped from £52,603,000 to £61,225,000, carrying the gross profits of the home group up from £3,587,000 to £4,055,000 and of the overseas group from £1,306,000 to £1,708,000. After tax, combined net profits have risen from £2,227,000 to £2,690,000, from which the ordinary dividend takes £753,000. About £2,690,000 has been ploughed back into the business. These figures suggest that Metal Box is among the companies that have been able to maintain their margins.

J. & P. COATS and ENGLISH SEWING COTTON. At home and abroad J. & P. Coats is a bigger influence in the market for sewing threads

than English Sewing Cotton. Last year it seems to have done rather better in these markets than its much smaller rival. English Sewing Cotton has reported a drop in its consolidated surplus from £1,513,813 to £1,189,825 and as its receipt of £464,459 from the American Thread Company was only a few pounds less than in 1954, much of the decline in earnings must have occurred in the home market. Net profits of American Thread rose last year from \$953,571 to \$1,328,731. J. & P. Coats, on the other hand, has reported that its consolidated profit rose by about £2,130,000 to £10,600,000. Some £700,000 of this increase comes from the consolidation for the first time of the German and Swiss subsidiaries, while foreign exchange losses (charged before striking trading profits) were lower by £1,050,000. The trading profit of the British parent company was slightly higher at £5,529,606, against £5,398,874 in 1954; the chairman, Mr Robert Laidlaw, says that home sales remained "buoyant" and sales all across the world reached a record high level "chiefly supplied from increased production in foreign mills."

The ordinary dividend of J. & P. Coats was never really in danger, but there had been some speculation on the possibility that English Sewing Cotton might cut its payment. In the event, both companies left them effectively unchanged: J. & P. Coats at 8½ per cent and English Sewing Cotton at 12½ per cent. The different investment ranking of the two companies is reflected in the yields on their stocks: at 22s. 4½d. the £1 units of J. & P. Coats yield 7½ per cent, while at 24s. 10½d. the £1 units of English Sewing Cotton yield 10 per cent.

These companies are affected not merely by changes in demand, but also by changes in raw cotton prices, for they have to carry heavy stocks. With stocks at over £36 million, it is not surprising that Mr Laidlaw re-emphasises this point to the stockholders of J. & P. Coats. He admits that "the present times are difficult for buying" and that the company is finding it increasingly hard to purchase the superior grades of cotton which it requires; hence the Coats group is seeking new sources of supply, but at the

moment only one of these looks promising.

J. LYONS. The size of the ordinary dividend of J. Lyons is never the subject of much speculation. It took a war to alter it, when it was reduced by 2½ per cent. In 1946 it was restored to 22½ per cent and since then has remained unaltered. On the repeated dividend the £1 "A" ordinary stock units yield about 5.3 per cent. Failing a loosening of the purse strings, stockholders look for a rise in profits. But here they met with a further disappointment; in the year to March 31st last the consolidated trading surplus fell from £4,561,949 to £4,399,567. Rising costs pressing against margins in a competitive market are, presumably, one reason for this decline. But the pic-

	Years to March 31, 1956	
	1955	1956
Consolidated earnings:—		
Trading profit.....	4,561,949	4,399,567
Depreciation.....	1,288,748	1,445,525
Taxation.....	1,539,219	1,121,135
Net profit.....	921,891	981,000
Ord. dividends.....	402,998	406,922
Retained earnings.....	245,276	285,814
Cons. balance sheet:—		
Net fixed assets.....	16,464,401	17,989,881
Net current assets.....	12,079,477	10,178,127
Stocks.....	16,405,307	10,826,928
Cash.....	1,480,559	2,140,999
Bank loans, etc.....	3,593,239	663,175
Capital reserves.....	10,938,796	11,240,082
Revenue reserves.....	3,287,713	3,170,964
Loan capital.....	2,721,979	2,688,246
Preference capital.....	7,211,911	7,297,065
Ordinary capital.....	3,680,342	3,680,342

ture is brightened in two respects. First, the provision for taxation was reduced by £418,084 to £1,121,135, so that net profits actually rose from £921,891 to £981,000. Secondly, no provision had to be made in 1955-56 for adjustments in tea prices; in 1954-55 £500,000 was provided to meet this contingency.

Another reassuring sign is the reduction in stocks from £16,405,307—a figure which reflected the rise in tea prices—to £10,826,928. This has been accompanied by a reduction in bank overdrafts from £1,843,239 to £663,175 and in the elimination of the £1,750,000 of acceptance credits outstanding on March 31, 1955. The group's cash balances have been built up from £1,480,559 to £2,140,999.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices, (Dec. 29, 1950=100)					Average Yields (per cent)				
	May 31, 1955	Feb. 28, 1956	Mar. 27, 1956	April 24, 1956	May 29, 1956	May 31, 1955	Feb. 28, 1956	Mar. 27, 1956	April 24, 1956	May 29, 1956
	1955	1956	1956	1956	1956	1955	1956	1956	1956	1956
Ordinary Shares:—										
Electrical engineering...	159.0	134.3	135.9	152.5	144.9	4.62	5.40	5.35	4.80	5.11
Engineering.....	192.7	165.9	164.4	180.5	175.6	4.15	4.96	5.03	4.70	4.84
Motors and aircraft.....	193.0	165.1	158.4	176.0	165.3	4.14	5.31	5.56	5.46	5.78
Chain stores.....	272.3	247.6	247.4	269.1	251.6	3.64	4.38	4.39	4.04	4.42
Cotton textiles.....	113.5	101.2	100.5	102.6	97.7	7.92	9.03	9.05	8.92	9.39
Chemicals.....	210.6	191.9	186.5	212.8	199.9	4.16	4.93	5.08	4.46	4.73
Oil.....	200.0	226.4	242.5	277.2	279.8	5.87	5.47	5.12	4.68	4.91
Shipping.....	158.9	168.0	168.1	179.0	176.5	5.29	5.62	5.75	5.54	6.08
Investment trusts.....	216.0	203.3	207.3	221.6	224.9	4.33	5.25	5.16	4.93	4.96
Industrials:—										
Ordinary (all classes)....	156.9	139.5	138.9	151.4	145.4	5.29	6.25	6.31	5.90	6.20
Preference.....	89.6	76.3	77.1	77.9	78.2	5.08	5.98	5.92	5.86	5.84
Debenture.....	84.4	72.6	72.4	72.3	72.5	4.88	5.66	5.66	5.67	5.66
Total (capital goods).....	180.6	156.5	154.6	170.8	163.9	4.53	5.44	5.50	5.10	5.33
Total (consumption goods)...	136.7	115.9	113.9	120.6	114.5	5.76	7.08	7.23	6.89	7.20
Consols 2½%.....	84.9	77.8	75.4	76.6	73.6	4.17	4.65	4.70	4.62	4.81

LONDON STOCK EXCHANGE

Next Account begins: June 20th

Next Contango Day: June 20th

Next Settlement Day: June 12th

The pace of the decline in gilt-edged securities quickened at the beginning of this week. 3½ per cent War Loan which stood at 71½ last Wednesday closed on Friday at 70½ and lost ½ further on Monday to 70¼ when the *Financial Times* index of Government securities fell to 84.49, the lowest point recorded. At the same time the index of industrial ordinary shares dropped to 174.5—a fall of 9.2 since last Wednesday. The largest losses occurred on Friday, when the index lost 5 points, but on Monday the decline slowed down. There was a rally on Wednesday when all sections of the market recovered; War Loan touched 71½ and the industrial index rose to 176.9.

The losses in bank shares were not extensive, Westminster "B" losing 1s. 6d. to 71s. Pearl Assurance lost ½ to 21. United Dominions Trust fell 2s. to 74s. 3d. But Bowmaker gained 1s. 3d. to 20s. 3d. after the increase in the interim dividend. Associated Portland Cement had receded from 110s. 6d. to 98s. 9d. by Monday but improved later to 101s. London Brick lost 2s. 9d. to 53s. 6d., GUS "A" recovered to 41s. 6d. after touching 39s. 3d., Marks & Spencer "A" shed 2s. 3d. and Woolworth 1s. 10½d. to 56s. 6d. English Electric lost 2s. to 51s. 9d. and C. A. Parsons 5s. to 83s. 6d. ICI declined from 44s. 10½d. to 43s. 9d. Vickers dropped 2s. 10½d. to 40s. 3d. and BSA 1s. 3d. to 27s. 9d., but Hawker Siddeley recovered to 33s. 3d. after 30s. 6d. Metal Box rose 2s. on the results to 49s. 6d.

British Petroleum led a rally in oils on Tuesday, gaining 5s. to 143s. 9d., but still showed a net loss of 1s. 3d. over the week. Shell was ½ lower at 8½. Base metals rallied with the firmness in commodity prices. After a false start on Monday interest expanded in gold shares and sizeable gains were made; President Brand gained 1s. 3d. to 55s. and Vaal Reefs 2s. 10½d. to 29s. 4½d. Rubbers rebounded on hopes of trade with China, "Suas" gaining 3s. 3d. to 43s.

FINANCIAL TIMES INDICES

1956	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
May 31...	181.1	95.75	4.75	5.88
June 1...	176.1	95.33	4.78	6.05
" 4...	174.5	94.87	4.84	6.10
" 5...	175.6	94.72	4.80	6.07
" 6...	176.9	94.76	4.84	6.02
1956, High.	203.5 (Jan. 3)	99.27 (Jan. 3)	Total bargains	
" Low.	169.7 (Mar. 8)	94.72 (Jan. 5)	May 31	7,733
1955, High.	223.9 (July 21)	115.97 (Jan. 7)	June 1	8,264
" Low.	175.7 (Mar. 15)	98.23 (Sept. 2)	" 4	10,182
			" 5	8,281
			" 6	7,944

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, Jan. 1 to June 6, 1956		BRITISH FUNDS AND GUARANTEED STOCKS		Price, May 30, 1956	Price, June 6, 1956	Net Yield, June 6, 1956	Gross Yield, June 6, 1956	Prices, Jan. 1 to June 6, 1956		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, May 30, 1956	Price, June 6, 1956	Yield, June 6, 1956
High	Low							High	Low						
98 1/2	97	Funding 2 1/2% '52-57		98 1/2	98 1/2	2 19 8	2 19 8	85/6	64/-	7 a	% STEEL & ENGINEERING		76 6	74/-	4 s. d.
99 1/2	98 1/2	War Bonds 2 1/2% '54-56		99 1/2	99 1/2	2 0 2	4 17 0	13/-	9 1/4	3 1/2	8 b Babcock & Wilcox £1		10 9	10/6	4 1 1
95 1/2	93 1/2	War Loan 3% '55-59		95 1/2	95 1/2	3 4 4	4 11 10 1	35/-	28/-	8 c	10 b Cammell Laird 5/-		30 6	29/3	5 9 5
100 1/2	99 1/2	Exchequer 5% 1957		100 1/2	100 1/2	2 14 7	4 16 3	54/9	40/-	3 1/2	8 b Guest Keen N'old £1		48 9*	44/9	5 7 3
99 1/2	97 1/2	Conversion 4% '57-58		98 1/2	98 1/2	3 5 0	4 19 0	55/6	41/8	4 a	6 b Metal Box £1		51 3	49/4	4 1 1
97 1/2	95 1/2	Serial Funding 2 1/2% 1957		97 1/2	97 1/2	3 5 9	4 6 1	75/-	61/-	12 1/2	5 a Stewarts & Lloyds £1		68 6	64/9	5 8 1
94 1/2	91 1/2	Conv. 2% 1958-59		93 1/2	93 1/2	3 10 2	4 10 8	48/-	39/-	8 b	4 a Summers (John) £1		46 6	43/-	5 11 8
91 1/2	88 1/2	Exchequer 2% 1960		91 1/2	91 1/2	3 12 9	4 12 4	57/-	46/6	3 a	11 b Swan Hunter £1		55 9	54/9	5 2 4
94 1/2	92 1/2	Exchequer 3% 1960		94 1/2	94 1/2	3 2 1	4 10 4	49/9	40/6	8 1/2	4 a United Steel £1		44 9	42/9	5 17 0
88 1/2	85 1/2	Savings Bonds 3% '55-65		86 1/2	85 1/2	3 14 5	5 3 8	44/3	32/4	2 1/2	7 b Vickers £1		42 3	40/3	4 19 5
91 1/2	88 1/2	Funding 2 1/2% '56-61		91 1/2	91 1/2	3 8 2	4 11 3				TEXTILES				
82 1/2	78 1/2	Funding 3% '59-69		79 1/2	78 1/2	3 17 6	5 7 5	24/6	19/10 1/2	4 a	6 b Bradford Dyeing £1		22 6	22/-	9 1 10
92 1/2	87 1/2	Funding 4% '60-90		88 1/2	88 1/2	5 13 1	7 10 9	23/7 1/2	19/1	7 b	3 a Brit. Celanese £1		20 6	19/6	10 5 2
81 1/2	76 1/2	Savings Bonds 3% '60-70		78 1/2	77 1/2	3 16 11	5 7 6	25/10 1/2	21/9	2 1/2	6 b Coats (J. & P.) £1		23 3*	22/3	7 17 4
91 1/2	88 1/2	Exchequer 3% '62-63		90 1/2	89 3/4	3 8 1	4 15 2	44/-	35/9	6 b	4 a Courtaulds £1		38 3	36/6	5 9 7
87 1/2	83 1/2	Exchequer 2 1/2% '63-64		86 1/2	85 1/2	3 12 11	4 16 5	21/3	16/-	7 1/2	5 a Fine Spinners £1		16 9	16/3	15 7 8
81 1/2	76 1/2	Savings Bonds 2 1/2% '64-67		78 1/2	77 1/2	3 19 4	5 4 2	30/-	23/3	5 a	7 b Lanes. Cotton £1		24 6	23/3	10 15 0
79 1/2	73 1/2	Savings Bonds 3% '65-75		75 1/2	74 1/2	3 11 10	5 3 3	31/7 1/2	26/6	10 b	2 1/2 Patons & Baldwins £1		28 3	26/6	9 8 8
96 1/2	91 1/2	Victory 4% '20-76		93 1/2	92 1/2	3 3 4	5 0 5				MOTOR & AIRCRAFT				
83 1/2	78 1/2	Funding 3% '66-68		81 1/2	80 1/2	3 16 9	5 7 0	22/4 1/2	17/7 1/2	3 1/2	6 b Bristol Aeroplane 10/-		21/-	20/-	5 0 0
88 1/2	83 1/2	Conv. 3 1/2% 1969		84 1/2	84 1/2	3 12 8	5 6 8	9/-	6 6	8 1/2	4 a British Motor 5/-		7/-	6 9	9 5 2
83 1/2	77 1/2	Treas. 3 1/2% '77-80		79 1/2	78 1/2	3 6 8	5 1 5	44/3	29/3	2 1/2	5 b Ford Motor £1		30/-	29/4 1/2	5 2 1
84 1/2	78 1/2	Treas. 3 1/2% '79-81		79 1/2	79 1/2	3 6 0	5 1 7	40/4	29/9	5 a	12 b Hawker Siddeley £1		33/3	33/-	5 6 1 1/2
72 1/2	66 1/2	Redemption 3% '86-96		68 1/2	67 1/2	3 3 6	4 17 8	48/3	38/3	10 c	12 c Leyland Motors £1		47 6	46/3	5 8 1
81 1/2	76 1/2	Funding 3 1/2% 1999-2004		78 1/2	76 1/2	2 18 10	4 15 1	115/10 1/2	85/6	5 a	12 b Rolls-Royce £1		100 7 1/2	95 7/4	3 13 3
84 1/2	77 1/2	Consols 4% att. Feb. '57		79 1/2	79 1/2	2 18 10	5 3 1				SHOPS & STORES				
77 1/2	69 1/2	War L'n 3 1/2% att. Dec. '52		71 1/2	71 1/2	2 16 7	4 18 6	18/10 1/2	14/-	6 a	8 b Boots Pure Drug 5/-		15/-	14/6	4 16 7
76 1/2	69 1/2	Conv. 3 1/2% att. April '61		71 1/2	70 1/2	2 17 0	4 19 7	38/6	29/-	20 b	7 1/2 Debenhams 10/-		35 10 1/2	34/-	8 1 9
66 1/2	59 1/2	Treas. 3% att. April '66		61 1/2	61 1/2	2 16 7	4 18 10 1/2	44/9	32/9	45 b	15 a Gt. Universal 'A' 5/-		43 3	41/3	7 5 6
56 1/2	51 1/2	Consols 2 1/2%		52 1/2	52 1/2	2 14 8	4 14 11 1/2	71/1 1/2	57/10 1/2	17 1/2	32 b Marks & Spen. 'A' 5/-		63/-	60/-	4 3 4
56 1/2	51 1/2	Treas. 2 1/2% att. April '75		52 1/2	52 1/2	2 15 0	4 16 1	71/1 1/2	57/10 1/2	25 a	20 b United Drapery 5/-		22/-	21/3	7 12 1 1/2
98 1/2	92 1/2	Br. Elec. 3% '67-69		94 1/2	93 1/2	3 5 10	5 7 3	64/10 1/2	56/1	20 a	36 b Woolworth 5/-		58 6	56/6	5 0 4
80 1/2	74 1/2	Br. Elec. 3% '68-73		76 1/2	75 1/2	3 14 4	5 5 1				OIL				
79 1/2	73 1/2	Br. Elec. 3% '74-77		74 1/2	73 1/2	3 10 2	5 1 6	160/-	99/-	15 a	10 b British Petroleum £1		145 7 1/2	143 9	3 12 7 1/2
95 1/2	88 1/2	Br. Elec. 4 1/2% '74-79		90 1/2	89 1/2	3 2 4	5 1 11 1/2	97/6	63/-	5 a	12 b Burmah £1		91 10 1/2	90 7 1/2	3 17 3
83 1/2	77 1/2	Br. Elec. 3% '76-79		79 1/2	78 1/2	3 6 6	5 1 4	48 1/2	45 1/2	6 a	14 b Royal Dutch 100 fl.		178	176*	2 9 3
90 1/2	85 1/2	Br. Gas 4% '69-72		88 1/2	87 1/2	3 7 8	5 5 11 1/2	180/9	129/-	15 a	13 b Shell Reg. £1		175 7 1/2	173 9	3 13 7
87 1/2	82 1/2	Br. Gas 3 1/2% '69-71		83 1/2	82 1/2	3 10 3	5 4 5	43/3	31/10 1/2	12 1/2	15 a Trinidad Oil 5/-		41 6*	40 9	3 16 10 1/2
73 1/2	67 1/2	Br. Gas 3% '90-95		69 1/2	68 1/2	3 2 10	4 16 4				SHIPPING				
80 1/2	75 1/2	Br. Trans. 3% '68-73		76 1/2	75 1/2	3 14 4	5 5 1 1/2	34/-	28/6		Brit. & Com. wealth 10/-		32 6	31/6	5 1 7 1/2
90 1/2	85 1/2	Br. Trans. 4% '72-77		86 1/2	85 1/2	3 4 11	5 2 4	27/-	21/3	2 1/2	7 1/2 Cunard £1		23/-	22/3	8 19 9
73 1/2	67 1/2	Br. Trans. 3% '78-88		69 1/2	68 1/2	3 6 0	4 18 7 1/2	35 9	27/-	3 a	5 b P. & O. Def. £1		29 6	27/6	5 16 4

(e) To earliest date. (f) Flat yield. (g) To latest date. * Ex dividend.
† Assumed average life approx. 11 years. ‡ Less tax at 8s. 6d. in £.

Prices, 1955		Prices, Jan. 1 to June 6, 1956		TRUSTEE STOCKS AND FOREIGN BONDS		Price, May 30, 1956	Price, June 6, 1956	Yield, June 6, 1956
High	Low	High	Low					
94 1/2	79	80 1/2	77 1/2	Aust. 3 1/2% '65-69		80 1/2	79 1/2	4 s. d.
101 1/2	87 1/2	87 1/2	84 1/2	Ceylon 4% '73-75		87 1/2	86 1/2	5 9 6
103 1/2	87 1/2	88 1/2	84 1/2	N. Zealand 4% '76-78		85 1/2	84 1/2	5 2 10 1/2
88 1/2	84 1/2	84 1/2	81 1/2	L.C.C. 3% att. 1920		61	60	5 0 0
99 1/2	83 1/2	85 1/2	84 1/2	Liverpool 3% '54-64		85	85	5 7 1 1/2
84 1/2	65 1/2	63 1/2	63 1/2	M. Wtr. 'B' 3% '34-2003		67	65	4 18 3 1/2
102 1/2	94 1/2	97 1/2	94 1/2	Agric. Mort. 5% '59-89		95 1/2	94 1/2	5 7 0 1/2
122 1/2	91 1/2	112 1/2	102 1/2	German 7% 1924		107 1/2	106 1/2	7 0
213 1/2	149 1/2	199 1/2	187 1/2	German 5% 1930		190 1/2	191	...
212 1/2	160 1/2	220 1/2	208 1/2	Japan 5% 1907		219 1/2	219	...
254 1/2	190 1/2	260 1/2	247 1/2	Japan 5% Conv. 1930		257 1/2	257 1/2	...

Prices, Jan. 1 to June 6, 1956		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, May 30, 1956	Price, June 6, 1956	Yield, June 6, 1956
High	Low							
50/-	41/9	5 a		% BANKS & DISCOUNT		44/6	44/-	4 s. d.
56/10 1/2	51/9	6 a		7 b Barclays £1		53/6	52/-	5 9 1
72/4 1/2	66/10 1/2	9 a		6 b Lloyds 'A' £5, fully pd.		69/6	69/-	5 15 5
70/-	63/3	9 a		9 b Midland £1, fully pd.		65/-	63/-	5 4 4
77/9	70/3	8 a		9 b N. Prov. 'B' £5, fully pd.		72/6	71/-	5 12 8
43/6	30/-	3 1/2		8 b Westmstr 'B' £4, fully pd.		34/6	33/6	4 9 7
46/-	31/1 1/2	5 a		3 b Alexanders £1		36/6	36/6	5 9 7
50/-	40/6	6 1/2		5 b Nat. Disc. 'B' £1		47/-	47/-	5 6 5
35/9	30/10 1/2	4 b		6 b Union Disc. £1		32/-	31 6*	5 1 7
41/9	33/6	7 1/2		4 a Barc. (D.C.O.) £1		36/-	35 6	8 9 0
				7 1/2 Chart. Bk. of India £1				
27 1/2	16 1/2	12 1/2		37 b Leg. & Gen. £1		26 1/2	25 1/2	1 19 8
25 1/2	20	120 a		47 b Pearl £1, fully pd.		21	21	5 11 9
48 1/2	40 1/2	117 1/2		125 c Prudential 'A' £1		46 1/2	46	4 14 6
				BREWERS, ETC.				
119/-	111/-	10 a		33 b Bass £1		117 6	116 3/4	7 7 11
24/10 1/2	20/-	10 1/2		6 a Distillers 6/8		22 3	21/-	5 4 9

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				
1948.....	1,232	1,255	2,511	1,969	139	5.3	728	3,714	381	204	772
1954.....	1,647	952	3,064	2,404	1,062	21.4	1,206	5,761	627	312	1,220
1955.....	1,606	931	3,185	2,646	1,429	22.6	1,342	6,358	706	336	1,368
1955, October.....	1,692	1,050	3,086	2,678	1,666	23.3	1,376	6,431	721	348	1,412
" November.....	1,730	1,209	3,097	2,692	1,633	22.9	1,365	6,760	710	329	1,376
" December.....	1,353	1,225	3,388	2,785	1,662	23.4	1,294	6,900	786	324	1,356
1956, January.....	897	1,199	3,196	2,644	1,802	...	...	6,512	757	307	1,372
" February.....	1,406	908	...	2,599	...	...	...	6,180	...	318	1,265

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					
1948.....	16.3	17.4	7.9	58.2	4.14	106	238	104	49	73.8	294	965.4
1954.....	19.5	28.8	7.8	48.7	5.93	185	237	140	117	93.2	364	1,102.3
1955.....	21.6	26.4	7.8	53.3	5.89	183	371	142	130	87.4	379	1,213.7
1955, December.....	26.1	28.3	11.7	62.2	4.93	192	378	158	124	97.4	380	1,189.6
1956, January.....	24.2	29.4	9.0	59.1	7.00	197	387	155	131	82.1	371	1,236.0
" February.....	21.9	29.9	4.6	51.8	3.99	195	357	...	129	...	...	1,233.8
" March.....	25.5	29.0	5.2	51.0	6.78	196	...	...	...	...	...	1,298.4
" April.....	...	...	6.7	48.4	...	...	...	...	...	...	...	1,288.4

EXTERNAL TRADE ⁽³⁾

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A	mn. £A	mn. \$C	mn. \$C	mn. rupees	mn. rupees	mn. £NZ	mn. £NZ	mn. rupees	mn. rupees	mn. £SA	mn. £SA
1948.....	28.2	33.8	220	259	537	382	10.71	12.27	28.5	58.6	29.5	11.4
1954.....	56.6	67.9	341	329	544	487	20.43	20.33	97.2	107.2	36.9	26.5
1955.....	70.1	63.4	393	363	...	...	...	21.55	91.9	101.9	...	...
1955, November.....	73.5	79.4	443	392	627	492	29.0	18.4	126.9	154.6	38.7	34.1
" December.....	63.3	73.4	386	381	594	520	...	25.3	108.3	194.5	...	...
1956, January.....	63.4	55.8	404	365	588	465	...	18.7	100.3	186.8	...	...
" February.....	59.1	...	405	353	680	513	...	...	103.0	209.8	...	...
" March.....	...	...	...	...	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES ⁽⁴⁾

Monthly averages or calendar months	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia	Canada	India	New Zealand	S. Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1953 = 100						
1948.....	1,265	1,011	3,355	200	652	56	84	...	74	89	77	73
1954.....	1,133	1,955	1,782	174	416	101	101	95	105	98	102	100
1955.....	829	1,910	1,791	179	368	104	101	90	107	94	105	101
1955, December.....	829	1,910	1,791	179	368	105	101	92	108	94	106	103
1956, January.....	...	1,890	1,789	157	342	...	101	92	...	95	106	103
" February.....	...	1,887	1,789	185	340	...	101	91	...	96	106	103
" March.....	...	1,881	...	191	335	...	101	...	...	...	...	103
" April.....	...	1,875	...	...	323	...	...	...	...	...	...	104

(1) Electricity production for New Zealand represents about 87 per cent of total generation. (2) Copper and tin refer to metal production. (3) General trade (including re-exports) except for Canada, which is special trade only. Imports are cif except for Australia, Canada and S. Africa which are fob; exports are fob. Trade for India and Pakistan includes that going by land, except for Pakistan in 1948 when figures are for trade by sea and air only; annual figures for India are for 12 months beginning April 1st of year stated and for Australia and Pakistan 12 months ended June 30th. (4) Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. (5) Including some long-term securities. (6) Including semi-processed gold. Beginning January, 1955, including South-West Africa. (7) In July, 1948, part of holdings was transferred to the State Bank of Pakistan. (8) April, 1948—March, 1949. (9) Average for fourth quarter.

EXCHEQUER RETURNS

For the week ended June 2nd, 1956, there was an "above-line" deficit (after allowing for Sinking Funds) of £851,000 compared with a deficit of £3,869,000 in the previous week and a deficit of £24,392,000 in the corresponding period of last year. There was a net "below-line" receipt of £835,000, bringing the total deficit to £44,295,000 (£147,032,000 in 1955-56).

£'000	Estimate 1956-57	April 1, 1955 to June 4, 1955	April 1, 1956 to June 2, 1956	Week ended June 4, 1955	Week ended June 2, 1956
Ord. Revenue	2085,500	168,810	185,102	14,267	24,855
Income Tax.....	144,000	15,100	18,600	700	1,300
Death Duties.....	170,000	34,200	31,100	2,200	3,200
Stamps.....	58,900	12,400	10,000	1,400	900
Profits Tax, E.P.T.....	216,750	23,400	25,200	1,600	2,900
Excise Profits Levy.....	4,000	7,300	1,300	300	200
Special Contribution and other Inland Revenue.....	1,000	100	60	...	...
Total Inland Rev.	2680,150	261,310	271,362	20,467	33,355
Customs.....	1204,000	199,438	205,330	15,767	23,965
Excise.....	953,350	155,160	170,890	15,120	16,620
Total Customs and Excise.....	2157,350	354,598	376,220	30,887	40,585
Motor Duties.....	92,000	8,849	8,908	658	...
PO (Net Receipts).....	10,000	5,250	9,500	850	Dr 800
Broadcast Licences.....	28,000	3,300	3,400	...	1,700
Dry Loans.....	30,000	2,096	2,235	...	...
Miscellaneous.....	200,000	9,461	8,630	419	169
Total.....	5197,500	644,864	680,255	53,281	75,009
Ord. Expenditure	670,000	137,447	124,941	29,742	19,156
Debt Interest.....	61,000	7,539	8,689	...	...
Payments to N. Ireland and Exchequer.....	10,000	966	878	...	183
Other Cons. Fund.....	3979,685	554,412	576,791	47,150	56,360
Supply Services.....	4720,685	700,365	711,300	76,893	75,700
Total.....	37,000	4,794	4,030	780	160
Sinking Funds.....	...	...	...	...	...
"Above-line" Surplus or Deficit.....	60,295	35,075	34,392	851	...
"Below-line" Net Expenditure.....	86,737	9,220	20,014	Cr 835	...
Total Surplus or Deficit.....	147,032	44,295	44,408	16	...
Net Receipts from:	26,123	58,145	3,958	24,729	...
Tax Reserve Certificates.....	7,100	10,300	700	2,000	...
Savings Certificates.....	1,271	22,184	442	2,733	...
Defence Bonds.....	...	...	...	...	...

Financial Statistics

THE MONEY MARKET

THE discount market reduced its bid by 4d., to £98 14s. 11d. per cent, at the Treasury bill tender on Friday last. This represented an increase in the rate of discount by 1/8 per cent, from the level of just over 4 1/8 per cent that had been held through the four tenders in May. The market was influenced mainly by the previous stringency of credit and by the fall in the short bond market and in sterling. Outside applicants apparently raised their rates by a similar amount; the average rate on all bills rose by 1s. 2d. per cent to £5 os. 3.45d. per cent. Total applications rose by £8.2 million, to £381.4 million, but as the amount on offer was up by £20 million, to £260 million, the market's allotment rose by one point to 53 per cent. At yesterday's tender, the offer was maintained at £260 million.

Credit conditions in Lombard Street have been rather less difficult this week than of late. Dealings in August maturities have taken place at 4 1/8 per cent, 1/8 per cent below the tender rate, whereas in the last few weeks, when the tender rate was 4 1/8 per cent, they frequently ranged up to 4 1/2 per cent, leaving the discount market a margin of a bare 1/8 per cent.

The bill rate in New York fell by a further fraction this week, to 2.56 per cent, following its decline last week from 2.70 to 2.57 per cent.

LONDON MONEY RATES

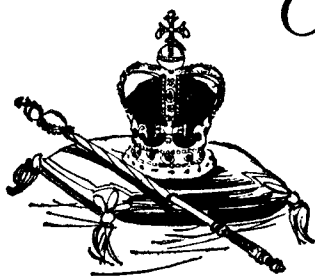
Bank rate (from 4 1/2% 16/2/56)	%	Discount rates	%
Bank bills: 60 days	5 1/8-5 7/8	Bank bills: 60 days	5 1/8-5 7/8
Deposit rates (max)	5 1/8-5 7/8	3 months	5 1/8-5 7/8
Banks	3 1/2	4 months	5 1/8-5 7/8
Discount houses	3 1/2	6 months	5 1/8-5 7/8
Money Day-to-day.....	3 1/4-4 1/4	Fine trade bills:	
Short periods.....	4 1/4	3 months	6-6 1/2
Treas. bills 2 months	4 1/4	4 months	6-6 1/2
3 months	5 1/8	6 months	6-7

* Call money.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates : Spot							
	June 6	May 31	June 1	June 2	June 4	June 5	June 6		
	June 6	June 1	June 2	June 4	June 5	June 6			
United States \$...	2.78-2.82	2.80-2.80	2.80-2.80	2.80-2.80	2.80-2.80	2.80-2.80	2.80-2.80	2.80-2.80	
Canadian \$		2.77-2.77	2.77-2.77	2.77-2.77	2.77-2.77	2.77-2.77	2.77-2.77	2.77-2.77	
French Fr.	972.65-987.35	983-983	983-983	983-983	983-983	983-983	983-983	983-983	
Swiss Fr.	12.15-12.33	12.24-12.24	12.24-12.24	12.24-12.24	12.23-12.23	12.22-12.22	12.21-12.21	12.21-12.21	
Belgian Fr.	138.95-141.05	139.40-139.45	139.42-139.47	139.42-139.47	139.37-139.42	139.27-139.32	139.22-139.27	139.22-139.27	
Dutch Gld.	10.56-10.72	10.67-10.67	10.67-10.67	10.67-10.67	10.67-10.67	10.65-10.65	10.65-10.65	10.65-10.65	
W. Ger. D-Mk.	12.15-12.33	11.71-11.71	11.71-11.71	11.71-11.71	11.70-11.71	11.69-11.69	11.69-11.69	11.69-11.69	
Portuguese Esc.	79.90-81.10	80.15-80.30	80.15-80.30	80.15-80.30	80.15-80.30	80.05-80.25	80.05-80.20	80.05-80.20	
Italian Lire	1736-1762	1754-1755	1754-1755	1754-1755	1754-1755	1752-1753	1751-1752	1751-1752	
Swedish Kr.	14.37-14.59	14.51-14.52	14.51-14.52	14.51-14.51	14.51-14.51	14.50-14.50	14.49-14.49	14.49-14.49	
Danish Kr.	19.19-19.48	19.39-19.40	19.39-19.40	19.39-19.40	19.39-19.40	19.37-19.38	19.36-19.36	19.36-19.36	
Norwegian Kr.	19.85-20.15	20.00-20.01	20.00-20.01	20.00-20.01	20.00-20.01	20.00-20.01	20.00-20.01	20.00-20.01	
One Month Forward Rates									
United States \$	1-1/8c. pm	1-1/8c. pm	1-1/8c. pm	1-1/8c. pm	1-1/8c. pm	1-1/8c. pm	1-1/8c. pm	1-1/8c. pm	
Canadian \$	1-1/8c. pm	1-1/8c. pm	1-1/8c. pm	1-1/8c. pm	1-1/8c. pm	1-1/8c. pm	1-1/8c. pm	1-1/8c. pm	
French Fr.	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	
Swiss Fr.	2-1/4c. pm	2-1/4c. pm	2-1/4c. pm	2-1/4c. pm	2-1/4c. pm	2-1/4c. pm	2-1/4c. pm	2-1/4c. pm	
Belgian Fr.	1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	
Dutch Gld.	2-1/2c. pm	2-1/2c. pm	2-1/2c. pm	2-1/2c. pm	2-1/2c. pm	2-1/2c. pm	2-1/2c. pm	2-1/2c. pm	
W. Ger. D-Mk.	1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	
Italian Lire	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	
Swedish Kr.	2-2/3c. pm	3-2/3c. pm	3-2/3c. pm	3-2/3c. pm	3-2/3c. pm	3-2/3c. pm	3-2/3c. pm	3-2/3c. pm	
Danish Kr.	4-2/3c. pm	4-2/3c. pm	4-2/3c. pm	4-2/3c. pm	4-2/3c. pm	4-2/3c. pm	4-2/3c. pm	4-2/3c. pm	
Norwegian Kr.	16 pm-16 dis	16 pm-16 dis	16 pm-16 dis	16 pm-16 dis	16 pm-16 dis	16 pm-16 dis	16 pm-16 dis	16 pm-16 dis	
Gold Price at Fixing									
Price (s. d. per fine oz.).....	249/8	249/7	...	249/7 1/2	249/9 1/2	249/9 1/2	249/9 1/2	249/9 1/2	

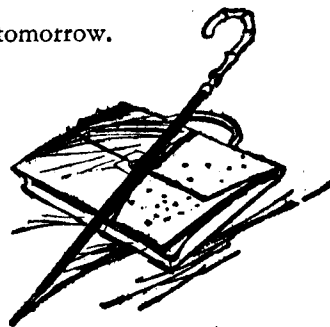
On the dearth of Immortals



"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 income today, but capital tomorrow.

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ADMINISTERS NATIONAL SAVINGS

SIR ERIC BOWATER AT THE ANNUAL GENERAL MEETING OF THE BOWATER PAPER CORPORATION LIMITED



*"When ideas take shape,
that is progress—and it
is progress I have to report"*

two ships in commission, a third due for completion in the coming year and five more to follow at short intervals, has got away to a good start.

Tissues: A Notable Partnership

Of special interest is the recently arranged partnership with the Scott Paper Company of America (largest producers of household tissue papers in the world), by which the Bowater-Scott Corporation Limited has come into being. Besides operating the Organisation's existing St. Andrew Mills at Walthamstow, the new Company is constructing a new manufacturing and conversion plant at Northfleet in Kent. This new venture, enjoying the full benefit of Scott's 'know-how' and patents, is deemed of major importance. The United Kingdom market for this type of product, commented Sir Eric, has hardly yet been touched. Before leaving the accounts the Chairman drew shareholders' attention to the Chancellor of the Exchequer's proposal to increase still further the tax on distributed profits (described by Sir Eric on another occasion as a dividend tax), and the heavy drain this tax exerts on profits which would otherwise be available for dividend, or for the further development of the business: "on dividend distributed in respect of the last year the 'dividend tax' amounted to practically £½ million. Doubtless the Chancellor has to find a large sum of money from somewhere to meet the heavy losses entailed in some of the nationalised industries, and it is to the profits of free enterprise industry that he turns."

Welcoming some 1,700 shareholders to the Annual General Meeting of The Bowater Paper Corporation Limited, held at Croydon on 29th May, 1956, Sir Eric Vansittart Bowater, Chairman of the Corporation, said: "When ideas take shape, that is progress—and it is progress I have to report." Earnings for the year 1955 exceeded those of the previous fifteen months, which in themselves had been a record. These earnings—totalling more than £13,200,000—had encouraged the Board to recommend a final dividend of 7½ per cent on an Ordinary or Common share capital increased by last year's financial reorganisation to 19,200,000 shares of £1 each.

A large part of these earnings derived from sources in North America, where more than 50 per cent of the Organisation's assets are now located. In addition to its British and North American interests, the Organisation also has important interests in Australia, Sweden and Norway. The higher earnings, said Sir Eric, reflect the full operation and greater production of our plants throughout the world, as well as the vast capital sums we have spent on further development of existing properties and construction of new plants.

Progress in Packaging

Sir Eric stressed the progress and prospects of Associated Bowater Industries Limited, through which the Organisation's numerous packaging activities are conducted. The Master Plan for developments provides for another corrugated case factory on Merseyside, while a new site is being acquired at Stevenage for new corrugated case and fibre drum factories. Negotiations are well advanced for the merger of Bowaters Fibre Containers Limited (subsidiary of Associated Bowater Industries) with Eburite Corrugated Containers Limited, a virile and well-managed concern with a long record of success.

The Irish Wallboard Co. Ltd. in Eire has made favourable progress, and its productive capacity will shortly be materially increased. Other production companies of the Organisation have also flourished. The pulp mills in Norway and Sweden continue to work to capacity and are scheduled for expansion also.

Sales companies in Britain, Australia and South Africa all enjoyed a successful year, during which the Australian company acquired the entire share capital of the British-Australian Paper Company, a conversion undertaking capable of profitable development. The Bowater Steamship Company Limited, with

Newsprint Demand—and Supply

Demand for newsprint—by far the largest in volume of the Organisation's products, though in the United Kingdom the least profitable—is insatiable. Much new productive capacity is planned in Britain, as also in Canada and the USA, and the Chairman hoped that by 1958 or 1959 the present unbalance between supply and demand would be eased, but he pointed out that authoritative reports indicated an ever-increasing demand for newsprint during the period 1960-1975.

"For our part," said Sir Eric, "we are exerting every effort to increase availability in this country by our bold plans for development, though the installation of new machines is a lengthy and costly process." Mentioning that the Kemsley mill's Number Six machine is now at long last about to come into operation, the Chairman said that the effect of increased productive capacity would be to assure customers that, with the ending of Government control in Great Britain, the Organisation would be able to fulfil all its long-term contracts to the letter.

Advances in North America

Earnings of the Bowater Corporation of North America Limited (embracing production

and other interests both in Canada and the USA) amounted to \$22,579,000, an increase of about \$5½ million over the previous period, due mainly to the Tennessee mills completing a full year's operation.

The Corner Brook mills operated at their highest rate of production ever, and the newly formed Power Company, supplying a growing demand for electrical energy in Western Newfoundland, is to instal a further 13,500 kW. hydro-electric plant.

To ensure an adequate supply of raw materials, particularly for the Organisation's paper mills in Kent, it has been decided, in principle, to construct a groundwood pulp mill in Canada with an annual capacity of about 100,000 tons of pulp.

Prospects from Tennessee

The new Number Three machine at the Tennessee Mills, which will be in operation before the end of this year, will raise the annual newsprint capacity of those mills—now running at an annual rate of 212,000 tons—to over 300,000 tons. Installation of a fourth newsprint machine is now under serious consideration, and its production has already been sold on an "if and when" basis.

Bowaters Fibreboard Company, Inc., was formed last November to set up a new \$4½ million fibreboard mill in Tennessee with an annual capacity of 120 million square feet of building board.

New Mill for South Carolina

Prospective increases in demand from both Tennessee and United Kingdom mills on existing sulphate pulp resources have resulted in a decision to embark immediately, subject to local authorities' consent, on building an entirely new sulphate pulp mill on the Catawba river near Rockhill in South Carolina. At some later date, a mill for manufacturing packaging papers may be undertaken on the same site.

In conclusion, the Chairman declared his complete confidence in the future of the industry. "The credit squeezes in both the United Kingdom and the United States—provided they are intelligently handled, as I have no doubt they will be—should, in my opinion, do no more than check undesirable inflation. There will undoubtedly be periods when we, in common with others, will have to work hard to sell all we make in a competitive world. Should such a situation come, it would have the good effect of keeping us all right up on our toes, and my view of the future would still be one of restrained optimism."

Stockholders will automatically receive copies of the complete speech by Sir Eric Bowater. Others who are interested may obtain copies from: The Secretary, Bowater House, Stratton Street, London, W.1.

 **The Bowater Organisation**

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COMPANY MEETINGS

CAMMELL LAIRD & COMPANY LIMITED

COMPREHENSIVE PROGRAMME OF SHIPYARD MODERNISATION

PRODUCTION HANDICAPPED BY STRIKES, OVERTIME BANS
AND DEMARCATION DISPUTES

CONFEDERATION'S UNREALISTIC REACTION TO EMPLOYERS' SUGGESTION

MR J. C. MATHER ON GRAVE INJURY TO NATIONAL INTEREST

The ninety-second annual general meeting of Cammell Laird & Company, Limited, was held on June 1st at Birkenhead, Mr J. C. Mather, JP (the Chairman), presiding.

The following is the Chairman's statement which had been circulated with the report and accounts for the year ended December 31, 1955: As stated in the Directors' Report, Mr C. L. Mason has decided to retire from the Board and does not therefore seek re-election. Mr Mason was appointed a Director in 1928 and during his 28 years' service the Company has had the invaluable benefit of his long experience and wise counsel. I wish to express to him our grateful appreciation of his long service to the Company and our best wishes on his retirement.

Mr A. Reith Gray was appointed a Director on February 7, 1956, and in accordance with the Articles, offers himself for re-election. Your Board consider themselves fortunate to have obtained the services of a man of Mr Gray's standing and experience in the Steel Industry.

NEW ACQUISITION

On February 21, 1956, the Company acquired 75 per cent of the capital of The Patent Shaft & Axletree Company Limited, Wednesbury, makers of open-hearth steel which is rolled into plates, sections and small bars; the remaining 25 per cent being acquired by the Metropolitan-Cammell Carriage & Wagon Company, Limited. Prior to Nationalisation, The Patent Shaft Company was a wholly owned subsidiary of Metro-Cammell. The demand for the Company's products in the Midlands is at a level which cannot be satisfied and appears likely to continue. A substantial scheme of reconstruction, including the installation of additional furnaces and new slabbing and rolling mills, is, therefore, to be undertaken, which your Board believes will make this undertaking a valuable addition to the Company's investments in heavy industry. In spite of many difficulties, to which I shall refer later, I am glad to be able to report satisfactory results for the year under review. I wish to express to the Management, Staff and Workpeople of our Subsidiary and Associated Companies our grateful appreciation of all that they have done to produce these results.

ACCOUNTS

Parent Company's Balance Sheet.—Investments in Subsidiary and Associated Companies are unchanged. Quoted Securities show an increase of £87,325 after reducing their book value by a net transfer from Capital Reserve of £410,897 in order to bring them to the market value at December 31, 1955. On the Liabilities side, Capital Reserves have been reduced accordingly, but the Profit and Loss Balance unappropriated

has been increased by £252,588. Taxation Reserve in this Account disappears and Provision for Current Taxation is reduced to £47,346, mainly due to the settlement of the liability remaining when the Company ceased direct trading activities. Advances from the Subsidiary made for the purpose of temporary investment by the Parent Company, after providing for a dividend since declared, have increased by £1,869,901.

Consolidated Balance Sheet.—The only point which calls for comment, other than those mentioned elsewhere, is the substantial reduction in the figures for Stock-in-Trade and Work-in-Progress, and Instalments received on that account. This is due to the final completion of certain contracts which have been included in these figures for some time.

CONSOLIDATED PROFIT AND LOSS
ACCOUNT

Trading Profit shows an increase of £88,053 and Investment Income is up by £86,242, the latter being due mainly to a full year's dividend from the English Steel Corporation, against a dividend for approximately six months in last year's accounts. Normal depreciation is approximately the same as last year but a larger provision has been made for depreciation in the value of Trading Stocks. Taxation takes £881,000, representing 55 per cent of our profit and in the current year, the Chancellor proposes to increase the rate of profits tax on both distributed and undistributed profits.

£354,152 is retained by the Subsidiary, principally to provide for the taxation reserve hitherto carried by the Parent Company. The credit of £311,000 added to the net profit available to the Shareholders represents the other side of this transaction. After adding the balance brought forward from 1954, the sum available for appropriation is £899,441. The Interim Dividend paid on October 11, 1955, absorbed £102,063 and from the balance your Board recommends that a final dividend of 10½ per cent should be paid again this year, leaving £252,588 to be added to the carry-forward.

CAPITAL COMMITMENTS

The total liquid assets included in the Consolidated Balance Sheet, taking Quoted Securities at their market value on December 31, 1955, amount to £8,653,710. After providing for working capital and the items mentioned below, it is considered that the balance, together with retentions from profits during the next few years, will be required to finance a comprehensive programme for the modernisation of the Shipyard. The acquisition of a 75 per cent interest in The Patent Shaft & Axletree Company Limited has already absorbed approximately £700,000. There is a liability in respect of uncalled capital of about £400,000 and in addition, this Company has undertaken to provide, as

its share of the Development Scheme which I have already mentioned, a loan of £1,200,000. As already reported in the Press, we have recently concluded negotiations with the Corporation of Liverpool and the Mersey Docks & Harbour Board for the purchase of the freehold land on which the Birkenhead Shipyard operates, at a total cost of £860,000. As has also been announced, negotiations are proceeding for the purchase and extension of Rock Ferry Pier for the gas-freeing of Oil Tankers.

Plans for the construction by the Subsidiary of a large dry dock, to which I referred last year, in spite of protracted delays in the negotiations with various official bodies, have now reached an advanced stage. The modernisation and re-siting of existing shops, the alteration of slipways to provide for the building of larger vessels, and other plans essential to maintain the Subsidiary's position in the shipbuilding industry, are being pressed forward as quickly as possible.

CAMMELL LAIRD & COMPANY
(SHIPBUILDERS AND ENGINEERS) LIMITED

Ship Construction.—During the year eight ships were launched totalling 88,586 gross tons, compared with the previous year's tonnage of 72,080. The eight ships launched were as follows:—ss *Vexilla*, tanker for Shell Bermuda (Overseas) Limited; ss *Manxman*, passenger ship for The Isle of Man Steam Packet Company, Limited; mv *Crystal Bell*, bulk sugar carrier for Sugar Line, Limited; ss *Hemiplecta*, tanker for Shell Bermuda (Overseas) Limited; ss *Leader*, bauxite ore carrier for the Pan-Ore Steamship Company Incorporated; ss *Calameres*, fruit carrier for Empresa Hondurena de Vapores; HMS *Tenby*, Anti-submarine Frigate for the Royal Navy; ss *San Fortunato*, tanker for the Eagle Tanker Company, Limited. Eight ships (plus two integrated barges constructed for Messrs John Holt & Company (Liverpool), Limited), including four of those launched, have been completed and delivered to their Owners. Among the vessels completed was HMS *Ark Royal* which, after running acceptance trials, was handed over to the Royal Navy last February.

Engineering.—During the year seven sets of marine steam turbine double-reduction geared machinery were built and tested in our main Engine Shop. Work is progressing on the construction of diesel engine sets for submarines and frigates for the Royal Navy, and also on the construction of gas turbine machinery for installation in mv *Auris*, owned by Shell Tankers, Limited. The output of our Boiler Shop for the year comprised 15 boilers of different types giving a total evaporation of 664,000 lbs of steam per hour.

Work was also carried out in the Boiler Shop on the manufacture for Shell Haven Refinery of a large reactor vessel, constructed

of stainless steel and the first of this type to be manufactured at our works.

During the year the Company established an Engineering Development Section which is charged with the task of keeping pace with modern technical developments and applying these developments to Marine Engineering. Work is proceeding on the development of Merchant and Naval machinery with advanced steam conditions, with investigations into the use of gas turbines and, for the future, nuclear power for ship propulsion. This Section will ensure the best possible service to our customers by making a close study of their requirements and by proposing the best mechanical arrangements to meet them.

Ship Repairing.—Our Ship Repairing Department has experienced keen competition but was successful in gaining a satisfactory share of business and, during the period under review, carried out repairs on board 177 ships. The work undertaken included refit contracts for the Royal Navy.

GENERAL

Although 1955 production shows an increase over the previous year the results could have been very much better had we not been handicapped by strikes, overtime bans, and demarcation disputes. The opening months of the year were marred by a strike of stagers which delayed the launch of the *Hemiplecta*. This was followed by a tug-boatmen's strike which delayed the sea trials of the *Hemiglypta* and interfered with docking arrangements for other vessels. The closing months of the year were overshadowed by a demarcation dispute which resulted in a strike of joiners in the month of September and, except for a resumption of work for a short period, this strike was continued until resolved at the end of March this year. The strike directly affected the fitting-out and completion of six ships and, in consequence, the launching of two ships had to be postponed thus delaying the laying down of two further ships.

This strike received wide publicity and, as the Findings and Recommendations of the Committee of Inquiry were published in considerable detail in the national Press, there is little for me to add. Many have wondered why this strike was allowed to go on for so long. All that can be said is that the machinery was always in existence to settle this dispute, but in spite of pressure from us, the parties were unwilling to use it. The Management, the Employers' national organisation, the Ministry of Labour and the Trades Union Congress made many efforts to settle the dispute but without avail. The Report of the Committee of Inquiry and the publicity given to the Findings no doubt contributed in a major degree to bringing the strike to an end, but many will feel that the outburst of natural irritation of Mr William C. White, President of the Pan-Ore Steamship Company, Incorporated, and the resulting publicity in respect of the delay in the completion of his Company's ship *Leader* probably served a greater purpose in bringing home to all the gravity of a most ridiculous and extraordinary situation.

It is unnecessary for me to stress the harm done to the industry generally by such disputes as this, and I believe that all responsible men, whether employers or employees, deplore them. In the opinion of the Shipbuilding Employers, it would help considerably if the Confederation of Shipbuilding and Engineering Unions would take a more active part in dealing with the many disputes affecting all their constituent unions, with special reference to demarcation of work questions. The Employers' organisation has approached the Confederation with a request that a Joint

Committee be formed to investigate this matter, but the Confederation has not yet seen its way to comply with this request, on the grounds that questions such as demarcation can only be dealt with by individual unions. This reaction is most unrealistic, and is doing grave injury to the national interest, and I sincerely hope that the experience of our Company in relation to the joiners' strike, coupled with the resultant publicity which reflects unfavourably on the trade union movement, will lead the Confederation to reconsider its attitude and assume the responsibilities which devolve upon it.

Among other handicaps to production is the national shortage of skilled manpower, including draughtsmen and technicians, and our Company is taking all possible steps to obtain full advantage of the opportunities offered by the technical colleges by encouraging our apprentices and adult staff to study for qualifications in appropriate subjects. This may not increase the numbers available for employment but will assuredly produce a better qualified type of person who will be an asset to us.

METROPOLITAN-CAMMELL CARRIAGE &
WAGON COMPANY, LIMITED

Metropolitan-Cammell Carriage & Wagon Company Limited obtained a number of important export orders during 1955 against severe world-wide competition, including 349 coaches for the Reef electrified services of the South African Railways, and nearly 2,000 wagons for India as an extension of the existing USA Dollar-aid contract. In association with an Indian Company an order was also received for electric motor coaches for the Calcutta suburban service. Further wagon orders were secured from Rhodesia, India, Burma, and West Africa.

Due to serious shortages in steel supplies, production did not reach the record level of the previous year, but shipments of substantial quantities of passenger coaches and goods wagons were made to several Commonwealth countries and a number of mechanical structures for diesel electric locomotives for Eire were completed. For British Railways output of standard steel coaches and wagons continued and deliveries of diesel railcars commenced for the Modernisation Programme.

The Company started 1956 with a full order book, but in the face of rising costs and growing overseas competition, greater productive effort and efficiency will be required to retain overseas markets.

Bus Bodies.—Following a temporary recession, there was a greater demand by United Kingdom operators during the year for new public transport vehicles, and orders for more than 600 metal bus bodies were placed with the Company. Many of these were repeat orders, reflecting the success of the Metropolitan-Cammell lightweight design. There were fewer enquiries from overseas for bus bodies, but against strong competition the Company secured orders from New Zealand, Jamaica, and Uruguay. The improved order book should provide more economic production during 1956. A number of new prototypes based on improved designs developed by the Company are under construction.

ENGLISH STEEL CORPORATION LIMITED

At the commencement of 1955, English Steel Corporation, Limited, was converted into a Holding Company, and its manufacturing operations were transferred to five wholly-owned subsidiary companies. Each of these companies is a leading member of the section of the industry in which it is engaged.

All of these companies, together with Taylor Bros. and Company, Limited, and

The Darlington Forge, Limited, had a successful year with full order books and maximum production possible with available labour. The steel output of the Group of 565,000 tons was slightly less than in the previous year, but record peace time outputs of rolled steel products, drop forgings, springs and railway wheels and axles were achieved.

Firth-Vickers Stainless Steels, Limited, in which English Steel Corporation, Limited, has a 50 per cent interest, also had a very successful year with demands for its products in excess of capacity to supply.

A site of 500 acres has been acquired at Tinsley, Sheffield, for further developments. Initially, a small part of the area will be used to rehouse the spring production plant for which new buildings are required.

The first step in the major development of the new site is to instal heavy forging and foundry plant with appropriate melting furnaces to meet the growing demand for forgings and castings in sizes and weights beyond the capacity of any existing plant in Great Britain.

The trading prospects for 1956 appear to be good. Each operating company brought forward a substantial volume of uncompleted orders, and since the end of the year the demand for products has continued to be in excess of capacity to produce.

The report and accounts were adopted and the dividends, as recommended, were approved. The retiring directors, Sir Archibald J. Boyd, Mr J. C. Mather and Mr A. Reith Gray, were re-elected; the remuneration of the Auditors, Messrs Cooper Brothers and Company, having been fixed, the proceedings terminated with a cordial vote of thanks to the Chairman, Directors, Staff and Workpeople.

BARRY AND STAINES
LINOLEUM, LIMITED

The annual general meeting of Barry and Staines Linoleum, Limited, will be held on June 28th at 6, Old Bailey, London, E.C.

The following is the statement by the Chairman, Mr T. J. Cavanagh, circulated with the report and accounts, for the year ended January 31, 1956:

A year ago I stated that prospects were somewhat less favourable because of rising costs. In the case of raw materials, in particular, this trend continued with increasing severity as the year advanced. Our profit margins in consequence were substantially reduced despite economies achieved by increased production and increased sales in both home and export markets.

A second contributory factor to the setback in profits was the smaller return from export trade.

Group trading balances are down, therefore, by £253,827 from £895,491 to £641,664, but there are reduced charges for depreciation and taxation, the net result is a reduction of £113,909 from £345,464 to £231,555.

Never, since the end of the war, has it been more difficult to hazard a guess about the future. Although our selling prices were raised in February of this year and the value of turnover has since been maintained, the increasing tempo of production has had to be modified, but improvement and development of our plant and processes continue and further economies and operating costs have been achieved.

To sum up, I would say the prospects for the current year are uncertain, but nevertheless hopeful.

DAILY MIRROR'S YEAR OF EXPANSION

Cecil H. King discusses wage and labour problems

The Thirty-Sixth Annual General Meeting of The Daily Mirror Newspapers Ltd. was held on 4 June at Brettenham House, Lancaster Place, London, W.C.2. Mr. Cecil H. King, Chairman and Managing Director, said:

For the year which ended on 29 February, during which the trading of all national newspapers was affected by the 26-day newspaper strike and the rail strike, the trading profit of your company was radically reduced. The amount available for appropriation, however, with lower taxation provisions and a substantial income from investments, was more than adequate for us to maintain the dividend while still adding to reserves.

Newspapers acquired in Scotland

In November your company and Sunday Pictorial Newspapers (1920) Ltd. expanded their publishing interests by each acquiring 50% of the First Preference and Ordinary Share Capital of the Scottish Daily Record and Evening News Ltd., publishers in Glasgow of the Daily Record, Noon Record, Evening News and Sunday Mail. To finance this transaction and to make more liquid resources available, the holding of 'A' Ordinary shares in Albert E. Reed and Co. Ltd. was sold.

Northern printing begins

Another important step was also taken towards the end of 1955 when we entered into a contract with Kemsley Newspapers Ltd. to print the northern editions of the Daily Mirror on that company's plant at Withy Grove, Manchester. It is vital in this competitive industry that we should be able to provide the latest news in the north as well as in the south, and the higher operating costs that have naturally resulted from the new arrangement can therefore be considered as a necessary insurance for the future.

Buoyant sales of the Daily Mirror

The advertisement rate of your paper was raised 12½% in May. The retail price was also raised during the year; but, with later news and recently with larger issues, there is no doubt that our readers are being given full value for their money. That the Daily Mirror has kept the favour of the public in spite of the increase in price is shown by the fact that over the latter half of 1955, during almost two-and-a-half months of which it was selling at 2d., the average daily net sale was only some 60,000 lower than over the last six months of 1954. Over the whole

twelve months to 31 December, 1955, the daily net sale showed an average of 4,708,345, at the same level as the previous year.

The timing of the price increase was important and provided an interesting circulation battle among the daily papers. We decided to go up in September. The News Chronicle and Daily Herald did the same, but the Daily Express and Daily Mail seem to have thought that by staying at 1½d. they would enlarge their circulations at our expense. It is said that they expected the Daily Mirror to drop a quarter of a million. In fact our losses were nothing like this figure, while the Express and Mail after rising slightly were forced to join us at 2d. in the new year. By raising the price early we gained necessary revenue and also retained the goodwill of the retail trade. It is worth remembering that, when the Daily Mirror went up from 1d. to 1½d. in 1951, the decline in the six-monthly average sale figures reached 238,000 which was not recovered for two-and-a-half years.

Unrest in the printing industry

The last eighteen months have seen two examples of unrest in the printing industry, the newspaper strike and the dispute in the London general trade. Rising costs, and most important perhaps the rise in wages, have led to the amalgamation of two national Sunday papers and to the extinction of the largest provincial daily. We ourselves for similar reasons have had to close down Junior Mirror. Wage and labour problems have come forcibly into the public eye. Since, as shareholders, you will be interested in any matter so vitally concerning the industry, I feel that you might wish me to say a few words on the subject.

The craft unions

National newspapers, represented since 1906 by the Newspaper Proprietors Association, negotiate with the unions independently of the provincial press and general trade. There are altogether thirteen unions involved in these negotiations. Two of them, the National Union of Journalists and the Institute of Journalists, represent employees on the editorial side. Two, the Amalgamated Engineering Union and the Electrical Trades Union, are national unions outside the printing industry, providing only a small nucleus of maintenance men. Of the remaining nine, all but two are craft unions, some of them with traditions of skill among the oldest in the country. The London Society of Compositors for example (which last year after amalgamation with

another craft union, the Printing Machine Managers' Trade Society, became the London Typographical Society) was formed as long ago as 1848 and the British compositor can trace his trade back even further to the time of Caxton in the fifteenth century. The importance of apprenticeship within a number of these unions survives to this day, and the printing industry provides one of the strongest citadels of craft unionism in the country.

The two non-craft unions

But by far the greater number of men employed on the production side of a mass-circulation newspaper—such as the Daily Mirror, with the largest daily circulation of all—work in two departments and belong to one or other of the two unions regarded in the newspaper industry as non-craft. These are the National Society of Operative Printers and Assistants, known as Natsopa, and the National Union of Printing, Bookbinding and Paper Workers, which between them organise most of the men on rotary presses and all those engaged in packing and tying parcels for distribution.

Individual negotiation

Nine of the thirteen unions I have mentioned are affiliated to the Printing and Kindred Trades Federation. There is close consultation within this federation, but for wage and labour arrangements each union has seen fit to negotiate separate agreements with the NPA. The insistence on individual negotiation can be attributed largely to fear on the part of the craft unions that in any tight federation they would be outvoted by the larger non-craft unions.

Wage differentials

This clinging to autonomy is closely connected with an anxiety, shared more or less by craftsmen throughout the country, over the whittling away of the wage differentials between skilled and unskilled men. In grievances over the differential, comparison is usually made with wage rates in 1939. Since that time there has been an overall rise in the cost of living and it is true that, while all wages have gone up, the increases have not followed a strict proportion. In 1941, and again in 1943, war bonuses were paid. In 1951 revised wage agreements instituted a cost-of-living bonus geared to the retail price index. These bonuses, all of them flat-rate increases, the same for all unions whether craft or non-craft, have had the effect of reducing differentials in real terms. It is little consolation to the craft unions to

remember now that they were signatories to the agreements and consciously accepted flat rather than relative increases—that in fact they have themselves played a major part in whittling away their own differentials.

Increase in gross earnings

The problem of differentials has been complicated by other factors. Larger circulations since the war and the greater number of publications produced by some offices, notably the Daily Mirror, have increased the opportunities for extra earnings—from overtime, extra shifts and special payments. Because of the wide variation in the labour demands of different offices, many detailed matters cannot be comprehended within the NPA agreements. House agreements have therefore been negotiated by individual management directly with the departmental 'chaplains' of their employees, and in these agreements each chapel has pushed its individual claims to the limit. On the whole the non-craft workers, who have always been anxious that the maximum number of men be employed so that the work load should be as light as possible, have been the most uncompromising in enforcing their claims for more men and more money—sometimes by restrictive practices. The craft workers, on the other hand, have not been outdone. They have restricted apprenticeship to keep their numbers to a minimum, and the main lever in their claims has been the consequent shortage of staff. The general result is that throughout the labour force attention has come to be focussed on a man's gross earnings rather than on his basic wage, and rivalry over differentials has been intensified.

Diminished skills

There are, of course, profounder reasons for the tension between craft and non-craft workers. One is the whole question of the degree of skill really required in many traditionally skilled jobs. With the advance of mechanisation many skills have diminished. Relativities even within single departments have ceased to be based on fact and in some cases skilled men are to be found doing jobs well within the capacity of the unskilled. Another is that, because of union restrictions, most unskilled men have no chance of promotion. They are therefore inclined to watch the clock and concentrate on their take-home money—and this is where the spiral starts.

Challenge to the Trade Unions

These are fundamental questions facing the trade union movement to which it must largely find its own answer. A related problem it must also help to solve is that of raising productivity—upon which the future security of earnings in every industry must ultimately depend. Although these difficulties have been apparent in the country for many years, little constructive thinking has so far taken place in the newspaper industry and less has been translated into action.

Power of the father of the chapel

Many of the printing unions are under the leadership of able men who are well aware of all this. It is further down the scale that conviction becomes harder and it is clear that many general secretaries have difficulty in persuading union members and minor officials that they are living in 1956. An example of increased influence among the lower ranks of officials is the power that has come to be vested in the 'father' of the chapel (shop steward). This is particularly noticeable in the non-craft sections of labour where, with control over such matters as the selection of men, their deployment, rotas and holiday times, he has virtually taken over the non-technical functions of management. Although he is paid by the company his energies are often devoted full-time to union and chapel business. His first loyalties are towards his chapel members (by whom he is elected) and in some cases he may even have greater authority over them than the overseer. That functions of management have been usurped is unhealthy enough in itself; it should also be alarming at top union level that so much power has devolved upon men who have no long-term responsibility for the welfare of the industry as a whole.

Weakness of the NPA

Nevertheless, it would be a mistake to attach all blame for the present evils to labour; a great deal must also be laid at the door of the employers. Soon after the first world war newspaper workers obtained substantial wage increases which helped them through the years of recession ahead. In these inter-war years, when real wages in the industry were comparatively high and rates more or less static, the proprietors took little interest in labour questions. Circumstances since the war have forced their attention but individual management have remained weak. The NPA has in general failed to give them the necessary support and has shown itself to be a feeble body on most labour matters. It is true that its members were shaken together during the newspaper strike—even though that would have ended two weeks earlier if concerted action had not been delayed—but this was a conspicuous exception. On the whole, even on those occasions when they have apparently been ready to take a stand, some individual member has weakened at the last minute. No one denies that the industry is peculiarly vulnerable to strikes, but it is highly questionable whether the threat of strike action has in fact been diminished by a vapid theory that the unions should be appeased at all costs. What is certain is that, by their lack of solidarity, the newspaper proprietors have contributed their portion to the muddled history of labour negotiations since the war.

Publishing interests at home

You will now wish me to tell you how your company's other interests

have fared. The prices of the Sunday Pictorial and of both Reveille publications were raised in the second half of the year. The average net sale of the Sunday Pictorial, however, over July-December 1955 was some 56,000 above the figure for July-December 1954. Sales of Weekend and Midweek Reveille declined over the year but increases have been noticeable since the beginning of 1956.

Your other associated publication, Woman's Sunday Mirror, has more than justified itself with a sale of well over 1,100,000 after only a year.

West Africa and Australia

Let me now turn to the affairs which concern you abroad. In West Africa, where a new evening paper was recently launched, you now have an interest in six newspapers each with far larger sales than any of its competitors. All that now has to be faced is the political risk inevitably attending such an enterprise in countries nearing independence. In Australia, progress has continued but the economic problems of newspaper production in that country have not diminished.

Pulp and paper-making

Your company's considerable investments in the pulp and paper-making industry—in Albert E. Reed and Co. Ltd. and in Anglo-Canadian Pulp and Paper Mills Ltd.—have been well rewarded. In a world where the demand not only for newsprint but for all paper products is continually expanding, the prospects of the industry and of your investment in it are exceptionally good.

The new building

Excavation for our new head office and printing works in Holborn began about two months ago. The new building, estimated to cost over £2½ million, will replace the inadequate Fetter Lane properties which we first occupied in 1927 when the Daily Mirror's circulation was under a million. We shall instal in it modern printing presses which will enable us to meet foreseeable rises in circulation and paging. With a basement depth of some 45 feet and a height of some 170 feet, the building will provide your company and its associated companies with a home designed for their present and future needs, a home which incidentally will be one of the major landmarks in the reconstructed City.

Strong financial position

In this summary, I have touched on some of the problems besetting the newspaper industry and also given a survey of your company's activities over the year. You will see that, in spite of a reduced trading profit, your company has maintained its strong financial position; and I should like to close by expressing a note of thanks, on your behalf, to all those both at home and abroad who have contributed towards the year's overall success.

The report and accounts were adopted.

UNION CORPORATION, LIMITED

LORD BRACKEN REVIEWS PROGRESS OF THE GOLD-MINING INDUSTRY

COMMENT ON EXPLORATION IN THE KINROSS AREA

The annual general meeting of Union Corporation, Limited, was held in Johannesburg on May 29, 1956, Viscount Bracken presiding. The chairman in moving the adoption of the report and accounts for the past financial year, said:

Gentlemen, the accounts of the corporation for the year 1955, together with the directors' report, are submitted for your approval.

The gross profit for the year was £1,776,000 and the net profit, after providing £483,000 for taxation, was £1,293,000 as against £1,081,000 in 1954.

As I reminded you last year, the development of the Kinross area will require substantial expenditure by the corporation over a period of years. Your directors have therefore appropriated £325,000 to the general reserve account which, after the transfer from taxation reserve of the sum of £317,801 no longer required, now stands at £1,300,000. By the addition of £50,000 exploration reserve account now amounts to £974,554.

Dividends to a total value of 2s. 9d. gross per share have been declared, compared with the equivalent of 2s. 8.909d. for the previous year. These payments have absorbed £735,000, leaving £392,000 to be carried forward to the new account.

As our main interest is gold mining in South Africa, I should like briefly to review the position of the South African gold-mining industry as a whole. Much of what follows also has bearing on the gold-mining companies under our administration.

GOLD-MINING INDUSTRY

Owing to the improved Native labour supply, which I am glad to say has been maintained in the current year, the tonnage mined by the industry in 1955 increased by about 6 per cent to 65,950,700 tons. Because of the increasing contribution of the new, higher-grade mines of the Orange Free State and Far West Rand, the average yield improved by 0.206 dwt per ton to 4.274 dwt per ton, so that the total gold output rose by over 11 per cent to 14,093,668 ounces fine.

As a result of the larger output, coupled with a small increase in the average price received for gold, the working revenue from gold—but excluding that from uranium—was £177,414,094, or £18,770,308 more than for the previous year. Working costs absorbed £133,161,104, so that the working profit was £44,252,990, being an increase of £6,044,205. To this working profit must be added the estimated profit from uranium production, which in 1955 at £17,558,208 was more than double that for the previous year. The total working profit for the industry, therefore, including uranium, amounted in round figures to £61,800,000, or £15,500,000 more than in 1954.

From this profit over £22,500,000 was appropriated for capital expenditure, for loan redemption, including loans granted for uranium production and for other items. Provision for taxation and Government's share of profits is estimated at £16,894,000, being an increase of just over £2,600,000. Net dividends distributed to shareholders rose by £3,235,000 to £22,361,887.

WORKING COSTS

Working costs for the whole industry averaged 40s. 5d. per ton milled in 1955, being an increase of 1s. 9d. per ton milled over 1954. Of this increase part is due to the effect on the figures for the whole industry of the operations of the newer mines, whose costs per ton milled at present are appreciably above the average; but rather more than 1s. 0d. of the increase results from further increases in the cost of stores and materials and from increases in remuneration of European employees introduced towards the end of the year under review. While the full effect of these increases in European remuneration will only be reflected in the current year there is some indication that the rate of increase in other costs has slowed down.

The development footage accomplished by the industry in 1955 totalled 2,769,394 ft, or about 525 miles, being approximately 7 per cent more than in 1954. This was not sufficient, however, to maintain ore reserves, which declined by just over 4,600,000 tons to 163,680,243 tons, but the grade was 0.23 dwt higher at 5.63 dwt.

The scale of operations of the new mines of the Orange Free State and Far West Rand, which have reached production since 1951, continued to increase in 1955. These mines accounted for over 26 per cent of the total gold output of the industry, a little over 42 per cent of the working profit from gold and nearly 18 per cent of the total net dividends distributed by the industry. These dividends included the first declarations from the Orange Free State. They are a first and modest reward of a decade of bold enterprise, gruelling work and high resourcefulness in solving novel problems.

TAXATION

At present, because of the provisions whereby a new gold mine is allowed to amortize its capital expenditure before incurring liability for payment of taxation or State's share of profits, few of the newer mines are paying any taxation or State's share of profits, but in years to come it is clear that these new producers will make a most substantial contribution to the revenue of the State.

In March of this year, in his Budget Speech, the Minister of Finance of the Union of South Africa announced that he proposed, *inter alia*, to restore the formula tax to the 1950 level and also to increase the amount allowed as a working cost in respect of replacements of single items of equipment. The effect of the change in the formula tax will be to reduce the rate of taxation by just under 5 per cent as from January 1, 1956. This reduction, though comparatively small, and the other concessions are indeed welcome to the industry. The world is so accustomed to monotonous increases in taxation that it is a pleasure to witness a tax-gatherer resting from his labours.

Welcome, too, is the recent announcement by the Minister of Mines that when silicosis benefits are increased by legislation this year the State will itself assume responsibility for the retrospective liabilities so created, estimated at £10,900,000. It is pleasing that as a result of renewed representations by

the industry the State has for the first time recognised that the additional retrospective liability is properly one for the community as a whole, which has benefited so greatly from the operations of the gold mines. The industry will continue to carry the burden of providing for present and future liabilities in respect of silicosis compensation. It is difficult to predict, at this stage, the precise effect on the Industry of the increased benefits since this depends to a large extent on the number of cases certified by the Silicosis Medical Bureau, but the increase in the liability may well be substantial.

I should now like to review briefly the progress of the Gold Mining and other companies under our administration and some of the other companies in which we are interested.

Having reviewed the progress of the companies under the Corporation's administration, the Chairman continued:

EXPLORATION

The formation of Winkelhaak Mines, Limited, and the commencement of shaft sinking by it in the Kinross area marks an important stage in the progress of the corporation's exploration work in that area.

Much prospecting work is being done in the Kinross area outside the Winkelhaak lease area. If present indications continue to be confirmed by further drilling—as we hope they will be—we may, in due course, see two, or perhaps three, additional mines proved on ground controlled by our subsidiary companies.

I need hardly tell you that the corporation continues its search for new mineral deposits in other parts of the world.

Before concluding I should like to take the opportunity of expressing our thanks to the staff of the corporation both in South Africa and in London and to the managers, staffs and employees of the companies under our administration for their loyal and efficient services during the past year.

REPLY TO QUESTIONS

In reply to questions regarding activities in the Kinross area and the increase in the fixed assets figure shown in the consolidated balance sheet, the chairman reiterated that on the data available it looked as though there might be two or perhaps three further mines established on ground held by the corporation's subsidiaries. That might perhaps be a conservative view but it was necessary to be cautious in these matters. Any purchases of surface or mineral rights were only undertaken after full consideration. It would not be in the best interests of shareholders to attempt to be more specific at present but when the full picture emerged they would be informed.

Dealing with a member's question regarding the valuation of the corporation holdings in Tsumeb Corporation, Limited, and Chrome Mines of South Africa, Limited (included in the balance sheet under unquoted share and debenture holdings valued at or under cost), the chairman stated that he did not feel it was in the interests of members to give too much detail about the corpora-

tion's holdings. Chrome Mines of South Africa, Limited, was doing well despite a shortage of railway trucks.

In reply to another query in regard to the deduction of British income-tax from dividends paid by the corporation to members on the South African register, the chairman stated that it was the constant preoccupation of the directors to get some solution to this heavy burden.

The report and accounts were adopted and the retiring directors re-elected.

PROVINCIAL INSURANCE COMPANY

MR F. C. SCOTT'S STATEMENT

The fifty-second annual general meeting of the Provincial Insurance Company Limited was held yesterday at Stramongate, Kendal, Mr F. C. Scott (the chairman) presiding.

The following is an extract from his circulated statement for the year 1955:

To turn to the actual figures, it is interesting to note that we have passed the first million in fire income and in fact, with the acquisition of the United Kingdom Fire and Accident Insurance Company Limited, to which I shall make further reference, we are well on our way to the next £250,000. The resulting profit of £101,000 is substantially less than the very fine figures we have grown accustomed to in recent years. The effects of inflation we have enjoyed since the war have departed. Many rates of premium are being quoted which leave little or no margin for profit, and from now on we are going to have to fight hard to maintain our progress in the face of severe competition.

ACCIDENT AND MARINE ACCOUNTS

The accident account, which includes a preponderating income from motor insurance, is overshadowed by the quite phenomenal rise in the number and cost of motor claims already alluded to. A modest profit seemed probable in the early part of the year but was succeeded by a very bad experience during the latter half and, in spite of profitable results in many sections of the accident account, owing to our motor figures we show a net loss on this account of £72,184.

It has always been our practice to take a conservative view of our marine underwriting profits year by year, but because of the improvement now apparent in the years prior to 1952, and in spite of our anxiety for the outlook, we have felt justified in increasing the contribution to profit and loss account from £50,000 to £100,000, but do not expect to repeat this allocation next year. The marine fund will still show a ratio of 186 per cent to premium income.

INCREASED INTEREST AND DIVIDENDS

In the consolidated profit and loss account, perhaps the most significant feature is the rise, for the second year running, in gross interest and dividends by over £100,000. This was due in part to investing more fully our liquid funds but largely to the increased dividends received from our substantial holding of ordinary shares. In spite of the very modest underwriting results, we have felt this considerable increase justified us in raising the rate of dividend from 1s. 3d. to 1s. 6d. per share, which is well within the total interest and dividend receipts after allowing for the effect of profits tax.

I particularly refer to these features because the year-end saw the close of the personal management exercised by Mr Ian

Macpherson over our investments. For fifteen years or more he has been very intimately associated with us in conjunction with the late Lord Keynes, and since the death of the latter in 1946, in full control of our investment management. To him in major degree we owe our wise and successful investment policy over this period. It was with the greatest regret and only because we felt the long view made the creation of our own investment department an essential step that we have said good-bye to Mr Macpherson and some eighteen months ago appointed Mr G. F. M. Lyster gradually to take over control. He has now done so and we wish him all success in his new responsibilities but are happy to feel that we shall still have very close relations with Mr Macpherson and his colleagues at Buckmaster & Moore.

Here I should like to mention the acquisition by purchase of the United Kingdom Fire & Accident Insurance Company. We have added a useful fire and accident subsidiary to the Provincial and have welcomed Sir John Benn himself on to our board, and the United Kingdom Provident, I believe, appreciate the association with the Provincial and have appointed my son Peter to their board.

The report was adopted.

VAB PRODUCTS LIMITED

INCREASED TURNOVER

The nineteenth annual general meeting of Vab Products Limited was held on May 31st in London, Mr Ivor Lloyd, AMIAE, FCS, MInstBE (the chairman), presiding.

The following is an extract from his circulated statement:

The Profit of the Group amounted to £45,583 for the twelve months ended December 31, 1955, compared with £49,212 for the previous year. From the profit earned, £27,800, or 61 per cent, falls to be paid to the Government as taxation. I referred last year to the excessive amount of earnings which are absorbed in this way and I again stress the severe handicap under which we and many businesses are labouring. For every £1 earned, 12s. 2½d. is earmarked for taxation, and this proportion may be even higher in the current year. Additionally, during the year under review, no less a sum than £65,000 was paid over to the Government in the form of Purchase Tax on our products.

During 1955, conditions proved as difficult as in the previous year, with profit margins reduced by the ever-increasing costs in wages, metals and other raw materials. As in 1954, every effort was made to absorb these extra costs in order to hold selling prices and retain our markets with, I think, satisfactory results. However, notwithstanding an increased turnover, more efficient production, and a greater effort by all concerned, the profit was slightly lower.

Trading thus far this year compared favourably with the same period last year and, without undue optimism, our turnover for 1956 should be at least equal to 1955. We are fortunate in the diversity of the goods we make in our various Subsidiary Companies as, on average, a fall in the profit of one Subsidiary is usually compensated in others.

Your Directors are pleased to recommend a Final Dividend of 7½ per cent, less Income Tax, which with the Interim of 5 per cent already paid, makes 12½ per cent for the year 1955.

The report was unanimously adopted.

THE CHLORIDE ELECTRICAL STORAGE COMPANY

LEVEL OF SALES WELL MAINTAINED

The sixty-fifth ordinary general meeting of The Chloride Electrical Storage Company Limited was held on June 6th at Exide Works, Clifton Junction, near Manchester, Mr A. W. Browne, OBE, MIEE (chairman and managing director), presiding.

The following is an extract from his circulated statement: The level of sales has been well maintained in practically all markets throughout the year, and shows an increase over the previous year. Costs have continued to rise and our policy has been to absorb these increases wherever possible and thereby keep our selling prices steady, the result of which is reflected in the slight decrease in our income from trading.

Since the end of the year further increases have had to be met, and it is becoming increasingly difficult to hold prices at the present level. If we are to compete successfully, especially in the export markets, we must take advantage of all possible means for keeping selling prices steady, consistent with a high quality product.

The net income for the year is £1,102,083, which is 6 per cent in excess of that for the previous year. This increase is due principally to a decrease in the charge for taxation. The relation of current assets to current liabilities is much the same as last year, that is, 2½:1, and in this connection I think it may be claimed that the financial position of the Group is satisfactory.

Your Directors feel justified in placing a further £250,000 to General Reserve, and paying to the Ordinary Stockholders a dividend of 12½ per cent, making 17½ per cent for the year.

I am glad to be able to report that our principal brands of batteries—Silver-Exide, Chloride and Dagenite—continue to find high favour with the motoring public both at home and overseas. Our second outlet for batteries in order of importance is for trucks and other handling devices of all kinds. The demand for traction type batteries is rapidly increasing, and our Exide-Ironclad, Katha-node and Tudor batteries are eminently suitable for this class of service.

The third main category is what is known in the industry as the "Stationary" type. The new atomic power stations require large batteries, the first of which has already been installed. Our long experience in engineering the installation of large stationary batteries is of considerable assistance in securing such orders. The fourth category is made up of literally hundreds of different types, each especially designed for its particular purpose.

I am glad to report that the improvement in our export business which I noted last year has continued during the year under review.

For many years it has been the policy of your Directors to extend the Company's interests beyond the battery trade and I have previously mentioned our ever-growing interest in plastics, light engineering, sanitary engineering and other industries. During the year a new plastic film has been produced from one of our products which, as a result of technical collaboration with a leading company in the medical supply industry, is being used for bandage purposes.

In conclusion the state of the Company's affairs continues to be satisfactory, and we can view the future with measured optimism.

The report was adopted.

STRONG FINANCIAL POSITION OF THE SUNDAY PICTORIAL COMPANY

Cecil H. King reviews world-wide interests

The Thirty-Sixth Annual General Meeting of

Sunday Pictorial Newspapers (1920) Ltd. was held on 4 June at

Brettenham House, Lancaster Place, London, W.C.2. Mr. CECIL

H. KING, Chairman and Managing Director, said:

The year which ended on 29 February was overshadowed by two strikes and the trading profit of your company was heavily reduced. During the newspaper strike, when we were prevented from publishing four issues of the Sunday Pictorial, we operated at a loss. The rail strike was less serious, but the Sunday Pictorial, printed at that time only in London, had to bear extremely high costs of air and road transport.

Costs continued to rise during the year. The revised wage agreements of November 1954 maintained the industry as one of the most highly paid in the country and further wage increases were introduced in the following June. Railway freight charges were increased, and newsprint prices went up once again in the New Year. On the other hand, the retail price of the Sunday Pictorial rose to 3d. in October and in January the advertisement rate was raised 12½%.

It should be mentioned that the rise in costs has not been compensated by a rise in productivity. The number of Sunday newspapers was reduced in November when the Sunday Chronicle was swallowed by the Empire News, and this merger—like that of the Daily Dispatch a week later—must be taken as a warning of the economic tension that has resulted within the industry.

You will have seen from the accounts that, while the trading profit of your company decreased by £130,395, the total of dividends, interest and other income was higher. Taxation provisions were less and the net profit was only slightly lower than in 1954/55. We have recommended that the dividend be maintained.

FOUR NEWSPAPERS IN SCOTLAND

During the year the liquid resources of your company were enlarged by the disposal of its holding of 'A' Ordinary shares in Albert E. Reed and Co. Ltd. Part of the proceeds of this transaction was used to purchase 50% of the First Preference and Ordinary Share Capital of the Scottish Daily Record and Evening News Ltd., publishers in Glasgow of the Daily Record, Noon Record, Evening News and Sunday Mail. The other 50% was acquired by your sister company, The Daily Mirror Newspapers Ltd. Because of distribution solely from London, sales of the Sunday Pictorial, as of the Daily Mirror, have always been restricted in Scotland. By acquiring papers with established circulations and their own sources of advertising revenue, we have entered a field where we have never before been able to offer the strongest competition. Profits from our interest in the Scottish company should, in the long run, be greater than those to be derived from extended Scottish sales of the Sunday Pictorial.

THE START OF NORTHERN PRINTING

Towards the end of 1955, arrangements were made for printing the northern editions of the Sunday Pictorial on plant owned by Kemsley Newspapers Ltd. at Withy Grove, Manchester. This was a most important development and will be of great benefit to the Sunday Pictorial, long handicapped by its lack of late sports coverage in the north of England. Now, by going to print later, the northern editions should expand in circulation to give a more balanced distribution of your paper over the whole country.

GROWING SALES OF SUNDAY PICTORIAL

Sales of your paper have been entirely satisfactory. The consistently rising trend of the last three years levelled off during the first half of 1955. But over this period, which was disrupted by the strikes, we suffered far less than either the News of the World or The People, the papers immediately above and below us in circulation. In the second half of the year, when in company with other Sunday papers we raised our price to 3d., the Sunday Pictorial reached an average sale of 5,600,642, showing a greater numerical and percentage increase on the first half of the year than any of its competitors.

Sales of the Daily Mirror have also been good. In spite of strikes and a price increase, the daily average net sale figure for 1955 was at a level only just below 4½ million.

WOMAN'S SUNDAY MIRROR GAINS STRENGTH

The chief experiment of last year in which you were interested has been a notable triumph. Although born into a world of strikes, Woman's Sunday Mirror passed its first birthday with a rising circulation of over 1,100,000. Sales of the leading women's periodicals continued the prodigious rise shown since the war, and Woman's Sunday Mirror, its own personality established, has taken full advantage of this growing number of women readers. Reveille Newspapers Ltd., your associated company, returned a much smaller profit than last year. Both Weekend and Midweek Reveille, suspended by the newspaper strike, lost revenue from sales, advertise-

ments and competitions. Price increases were introduced during the latter half of the year and circulations fell. Some competitors, such as Weekend Mail and Titbits, showed a smaller decline, but no publication in this field altogether escaped the general recession of demand to be expected after the boom period of the last few years. The combined sale of Weekend and Midweek Reveille, at an average of just under 4½ million over the last six months of 1955, was still more than two-and-a-half times as great as that of any of their competitors. In the first months of this year there has been an advance in the sales of both publications.

High costs proved too great for Junior Mirror. Publication ceased at the close of the financial year, and its less successful rival, Junior Express, was left to battle on alone with the further extravagances of colour production.

HIGH COSTS IN AUSTRALIA

You will now wish to hear of your concerns abroad. News from Australia is not yet entirely satisfactory. Although radio interests (recently expanded with the granting of television licences) continue to do well, the daily newspaper, The Argus in Melbourne, is still not free from problems.

When you acquired your interest in 1949, The Argus was the most depressed metropolitan newspaper in Australia. Since then there has been enormous development. Staff has been reorganised to such an extent that no other paper in Australia can claim to have better; sales have increased in greater proportion than those of any competitor and a full share of advertisements has been gained. But in spite of these advances The Argus is still not out of the wood. Labour costs have gone up. The cost of newsprint at an average price of over £70 per ton—over 20% higher than in this country—already more than offsets the revenue from sales. Advertisement revenue, derived largely from the classified market, is as high as can be expected; not only is it difficult to enlarge but it might even diminish if the present economic boom ever gave way to recession. Moreover, circulation has already risen beyond the point at which existing plant can safely be considered adequate, and the company may soon be compelled to increase its capacity for colour

printing in order to be more competitive in the advertising field.

The weekly paper, Australasian Post, tells a similar story. Circulation has risen sharply. In April 1954 it averaged 98,000; eighteen months later it had reached 227,000. Nevertheless, the figure must rise again considerably before the high costs of production are fully counter-balanced.

BIRTH OF A NEW PAPER IN WEST AFRICA

In West Africa, on the other hand, your company's interests flourish. At a time when the sudden death of established newspapers was being lamented in this country, a new evening paper was being born in Lagos. You now have an interest in a total of six newspapers in the three territories. Circulations have continued to rise. In Sierra Leone the 10,000 mark has been comfortably passed. In the Gold Coast and Nigeria circulations of the daily papers reached averages of 54,737 and 65,756 over the latter half of 1955, increases of 24% and 29% on the same period in 1954.

In all three countries a big proportion of readership is in the larger towns where literacy is higher and there are fewer difficulties of distribution. But African governments are spending more both on education and on communications, and these developments should gradually bring wider sales. New territory is being penetrated—a special edition of the Nigerian daily paper is now flown out four times a week to the Cameroons some 450 miles away—and though costs of carriage may now be high the eventual reward will, it is hoped, be considerable.

As sales grow even further, plant will have to be expanded; but any problems encountered will be political rather than commercial. As you know, both Nigeria and the Gold Coast are nearing self-government. By providing impartial newspapers, staffed almost entirely by Africans and produced for Africans, we have done much to develop and encourage the political consciousness of both these countries. But you will understand that, as autonomy approaches, the political problems involved in such a project naturally grow more intricate.

EXPANSION IN PULP AND PAPER

Let us now consider your interests in the pulp and paper industry. The Albert E. Reed company has shown a substantial increase both in its

overall turnover and in productivity. A large amount of money is to be invested over the next two or three years in plant and buildings at Aylesford and elsewhere, and a new glazed kraft machine has already been installed. The newly associated companies have also continued their programmes of expansion. Kimberly-Clark Ltd., previously known as Cellucotton Products Ltd., has proceeded with its new converting factory. In New Zealand, the Tasman Pulp and Paper company has completed the installation of its new paper-making plant; production, planned initially at a yearly rate of 75,000 tons of newsprint, began in November. The integrated sawmill, pulp and newsprint operation is now New Zealand's biggest single industrial enterprise.

In November, market hopes of a larger interim dividend from Albert E. Reed were more than fulfilled by the maintenance of 10% on its increased equity capital (in which your interest is now confined to a large holding of Ordinary shares).

Your company's concerns in Canada also had an excellent year. Anglo-Canadian Pulp and Paper Mills Ltd. again showed a rise in total production and the consolidated net profit went up by \$½ million. The demand for newsprint, the company's main product, was particularly keen. The world shortage of this commodity (which seems to have been apparent to everyone except the President of the Board of Trade) became more acute towards the end of 1955 with the remarkable increase in consumption by American publishers. At the Dryden Paper company, Anglo-Canadian's subsidiary in Ontario, the new development scheme was begun during the year. Although the first stage was delayed by strikes, it is anticipated that the whole programme, designed to double production by July 1957, will be finished according to schedule.

THE FUTURE

From this account of your company's many interests, you will see that, in spite of obstacles at home, the health of your overall investments has been good. It remains for me to thank all staffs, both at home and abroad, whose co-operation has contributed to the year's result and to say that we can look forward to the future with confidence.

The report and accounts were adopted.

GALLAHER LIMITED

RECORD RESULTS IN CENTENARY YEAR

CONSOLIDATED PROFITS EXCEED £4 MILLION

SIR EDWARD DE STEIN ON THE OUTLOOK

The sixtieth Annual General Meeting of Gallaher, Limited, was held on June 6th at Winchester House, Old Broad Street, London, E.C.2, Sir Edward de Stein, Chairman of the company, presiding.

The Secretary (Mr George Iliff, ACA) read the notice convening the meeting and the report of the auditors.

The following is the Chairman's statement circulated with the report and accounts for the year to December 31, 1955: I very much regret to have to report the recent death of Mr Arthur Robinson who had been a director of J. A. Patreux, Limited, for a number of years before we acquired that company in 1937 and was a Director of your Company since 1943. Patreux, as you probably know, are the owners of the Senior Service brand of cigarettes, and Mr Robinson decided that the business could best be expanded in association with your Company. You are aware of the successful results of this combination, and we all owe a great debt of gratitude to Mr Robinson for his loyal and most helpful co-operation. He will be greatly missed by us all.

This is the hundredth year since the business was founded by the late Mr Thomas Gallaher. I am, therefore, particularly glad to be able to place before you results for the year which constitute a record in the Company's history. An illustrated brochure, showing some of the Company's activities, is being circulated to Stockholders, Employees and Direct Customers. I hope it will be of interest to all who receive it.

BALANCE SHEET FIGURES

In the Consolidated Balance Sheet at December 31, 1955, you will see that almost every individual figure is higher than the corresponding figure in the 1954 Balance Sheet. Not all of these increases call for comment.

Stock in Trade of the Group at December 31, 1955, was higher than in 1954 by £7,700,000. The principal reason for this increase is that quantity stocks of leaf in bond were greater at December 31, 1955, than at the end of 1954. Other factors contributing to the increase are that the average price of leaf in bond was higher this year than last and that duty paid stocks were also higher on a scale which reflects the increase in the rate of turnover in 1955.

Apart from the increase in the Company's business, the expansion of debtors from £11,700,000 in 1954 to £17 million in 1955 was due to lengthening the period of settlement from four weeks to five weeks in the case of some customers, and the higher selling prices of the Company's products which became effective during 1955.

FINANCE

Since the last Annual General meeting a number of changes have taken place in the financial structure of the Group. Before the end of 1955 we issued for cash 1,500,000 5½ per cent Cumulative Preference Shares of £1 each and 500,000 Ordinary Shares of £1 each—all since converted into Stock. These issues resulted in Share Premium Account benefiting to the extent of £680,000, being the premium on the Ordinary Shares issued less the expenses of the issues.

This additional finance did not prove sufficient for our requirements. In the first place it was difficult at that time to gauge the extent to which our turnover would rise, since the demand for one of our main brands, Senior Service, exceeded supply. In the second place, instead of being able to increase our borrowing in relation to our increased business and assets, we were faced with the continued pressure of the credit squeeze, and were informed that our banks would have to reduce their facilities. In these circumstances it became necessary in the early part of the present year to find a substantial amount of new capital and, as you all know, we issued in March, 1956, 5,437,500 Ordinary Shares of £1 each at par and £8 million 6 per cent Unsecured Loan Stock. The new money will, of course, substantially reduce our total short-term borrowings. At the same time the Authorised Capital of the Company was increased by £10 million to £22,500,000. The Directors have also set aside 125,000 Ordinary Shares of £1 each which will be offered to employees at par, subject to certain restrictions.

SUBSIDIARY COMPANIES

About the middle of 1955 we acquired a controlling interest in Benson and Hedges, Limited, a company whose name is well known at home and to all who travel abroad. We now own all the issued capital of this company and intend to develop its business.

The sum of £100,000 added to Goodwill and the charge of £35,356 against Reserve for Contingencies referred to in the notes on page 9 of the Accounts both relate to the Benson and Hedges, Limited business.

Our engineering subsidiary has made record profits again in 1955, the major part of which has been ploughed back into the business.

TRADING RESULTS

I now come to the Trading Results for the year. The consolidated profits, as you will have seen, amounted to £4,033,000, compared with £2,510,000 in 1954. I should like to add it is satisfactory that the increased profits have not only been brought about by an increase in the sales of "Senior Service" cigarettes but also in other sections of our business. "Park Drive" cigarettes, "Old Holborn" tobacco and "Manikin" cigars in particular have shown satisfactory increases. We are also the largest producers of roll and hard tobacco and we are satisfied with the results which have been achieved on this side of our business.

In the Accounts submitted to you, we have provided for a final dividend of 20 per cent on the Ordinary Capital as increased by the issue of 500,000 Shares in the Autumn of last year. In addition, we have set aside against our future liability for pensions in the Group the sum of £200,000. If you agree to these proposals this will leave us with an addition to our Carry Forward in the Consolidated Balance Sheet of £829,000.

FACTORIES WORKING AT HIGH PRESSURE

I informed you last year that, in order to meet the expansion in cigarette sales which took place in 1954, output had to be increased

rapidly and substantially in conditions which could not be maintained over a long period. Our cigarette factories are still working under high pressure to meet the demands being made on them. In two factories a considerable amount of overtime was worked throughout the year and one factory has been on double shift working for nearly two years. In addition our cigarette factories have more manufacturing machinery installed at the present time than they were planned to accommodate. These conditions have brought about reductions in working costs since they have enabled us for the time being to obtain the maximum output on a minimum investment in buildings, plant and machinery. This abnormal position could not be expected to continue.

In order to cope with our increased trade and to be in a position to meet further expansion, we acquired during 1955 a building in the Manchester area which is now in course of being adapted for use as a cigarette factory. Production is planned to commence there early in September this year. In addition, site preparations are now proceeding in Northern Ireland for the erection of a cigarette factory under facilities provided by the Government of Northern Ireland. That factory will not come into production for about two years. This will provide some additional manufacturing space but in part it will replace old buildings we took over during the war which are becoming uneconomic to maintain for manufacturing purposes. When these building operations are complete and the factories fully equipped with plant and machinery we will have added considerably to our manufacturing capacity.

DEPOTS MECHANISED

Our Sales and Branch Organisation has naturally had its problems to face, not only in meeting increased competition but in distributing to the Trade a greatly increased volume of goods. In order to meet the difficulties of physically handling larger quantities our distribution depots have been mechanised. Where possible depots have been extended and others have been altered to the best advantage. In Sheffield the erection of new premises, designed by our own staff, is nearing completion. The greatest credit is due to all concerned for maintaining uninterrupted supplies while all these alterations were in progress.

LEAF SUPPLIES

I have already mentioned that the principal reason for the increase in Stock in Trade is the higher volume of leaf tobacco which we had in bond at December 31, 1955, compared with a year earlier. There were large crops last year in both the United States and Southern Rhodesia. By reason of the increase in our cigarette sales in the year to June 30, 1955, our Dollar allocation for the 1955 United States crop was also higher: in addition the negotiations between the Treasury and the United States Government regarding the purchase of Dollar tobacco for Sterling to which I referred in my Statement last year resulted in our being able to improve our stocks of Dollar tobacco. However, the expansion of our cigarette business and the continuing control of Dollar expenditure are

still preventing your Directors from building the Group's stocks of Dollar tobacco to a desirable level.

It is to be hoped that the Dollar allocation to the industry this year will enable us to improve our stock position and that we may have the opportunity again this year of buying American tobacco for Sterling.

Southern Rhodesia tobacco auctions are now in progress, and it is expected to be a record crop from which your Company hopes to make a satisfactory purchase.

I recently paid a visit to our tobacco leaf Packing Factories in Southern Rhodesia and Nyasaland, which have most important functions to perform, and I was very glad to have the opportunity to discover for myself the efficiency and enthusiasm with which their work is being carried out.

SMOKING AND HEALTH

You will all probably have seen reference in the Press to the statement issued by a group of leading tobacco manufacturers of which this Company is one. I have nothing further to add to this.

THE OUTLOOK

When advising Stockholders in the middle of February of our plans for increasing the Capital of the Company we stated that, sub-

ject to unforeseen circumstances and to factors outside their control, the Directors anticipated that the profits for the year 1956 would be sufficient to justify a total distribution of 17½ per cent on the doubled Ordinary Capital. Since then there have been adverse factors—the increase in the Bank Rate two days after our circular was issued to Stockholders, the higher rate of tobacco duty and its possible effect on consumption, and the increase in the rate of Profits Tax imposed by the Budget. In view, however, of the satisfactory expansion of our trade which extends to many of our brands, we do not at present see any reason to alter the view already expressed even though our costs may tend to rise.

TRIBUTE TO EMPLOYEES

I need hardly say that the rapid expansion of our business has created a great many problems and put a great deal of responsibility and work upon the shoulders of our staff. Your Directors are very sensible of the splendid co-operation which they have received from everyone in the business.

The report and accounts were unanimously adopted; the proposed dividend was approved; the retiring directors, Sir Edward de Stein and Mr W. A. Edmondson, CBE, DL, were re-elected, and the auditors, Messrs Hill, Vellacott and Bailey, were reappointed.

SOUTH AMERICAN GOLD & PLATINUM COMPANY

Proceeds from Gold and Platinum Production
Provide Record Earnings in 1955

Developed Reserves Show Increase

South American Gold & Platinum Company had the highest earnings in its 39-year history in 1955, with net income rising to \$1,960,626 from \$1,388,314 in 1954, a gain of 41 per cent, Lewis B. Harder, president, states in the Company's Annual Report. Earnings were equal to \$1.05 on each of the 1,875,000 shares outstanding, compared with 85 cents on each of the 1,623,826 outstanding a year earlier.

Proceeds from sale of gold and platinum produced from its Colombia properties were at an all-time high of \$5,166,139. Gold production increased to 74,237 ounces from 59,614; and platinum recovery was 28,950 ounces, against 25,266. Despite the fact that the Company dredged a record high of 23,953,000 cubic yards, developed gravel reserves increased during the year to 116 million cubic yards from 105 million at the end of 1954.

South American plans to participate actively in the direction of the activities of Anglo-Ecuadorian Oilfields Limited, in which it and an affiliate bought a 34.4 per cent interest last year. The oil company has approximately 30 million barrels of reserves, daily production of 8,500 barrels and a 5,000 barrel refinery. It is felt that the removal of Anglo-Ecuadorian's domicile from England together with an improvement in rates for oil products in Ecuador will enhance the company's profits in future years.

Dividends received from the Company's 34.3 per cent interest in Pato Consolidated Gold Dredging, Limited, amounted to \$1,143,685. Of this amount, \$687,685 was applied to South American's income account; the balance of \$456,000 was considered paid from surplus and accordingly applied to reduce the cost of the investment.

The Company's future policy may include participation in other enterprises, but emphasis in the field of natural resources development is expected to continue. The management feels that gold and platinum mining activities afford unusual corporate protection in depression times, and that further broadening of these operations into development and extraction of related natural resources and auxiliary enterprises in South America will provide growing participation in the expanding economy of Latin America.

The Company's investments in local Colombian industries are all progressing satisfactorily. Oleoducto del Pacifico, the petroleum pipeline (in which South American is a co-investor), went into operation in March of this year. Vidrio, a new glass plant in Bogota, began manufacturing bottles in December and will become the first flat glass producer in the country. Promotora Colombiana, the consumer finance company, enjoyed unusual profits during its first year of operation.

Copies of the 1955 Annual Report, from which the foregoing material was extracted, may be obtained from Singer & Friedlander, Limited, 55, Bishopsgate, London, E.C.2, England, or from South American Gold & Platinum Company's New York office at 535, Fifth Avenue, New York 17, New York, USA.

THE CENTRAL MINING & INVESTMENT CORPORATION

MAINTENANCE OF STRONG
FINANCIAL POSITION

The Fifty-first Annual General Meeting of The Central Mining and Investment Corporation Limited was held on May 31st in London.

The Right Honourable Lord Baillieu, KBE, CMG (the chairman), presided and in the course of his speech said:

The very active conditions of the stock markets in 1954, especially in South African mining shares, gave way to quieter conditions in 1955, with declining prices which have persisted up to the present time. These have two main effects on our results: first, the profits arising from trading in shares necessarily suffer and, second, the provisions for diminution in the value of some of our investments are inevitably larger.

We continue to value our portfolio at cost or Stock Exchange price or, where there is no quotation, Directors' valuation, whichever is lowest. Diminution in value of investment acquired in 1955 is, as usual, charged against the profits of the year. Of £220,000 so charged in 1955 no less than £103,000 is in respect of British Government Securities, but, as the stocks concerned are all dated, recovery in value is only a matter of time or downward adjustment of interest rates as the case may be.

The significant change in the balance sheets calling for comment is the addition of £1 million to the value of our portfolio of investments. I would specifically mention a substantial addition to our holding in the Harmony Gold Mining Company Limited and the acquisition of a considerable holding in Rhodesian Anglo American Limited.

Our financial position remains strong, the net surplus of current assets being almost £2 million.

The actual results for 1955 record a notable increase in the scale of operations of both the gold mining and uranium industries. Foremost among the contributory factors were the expansion of production at a number of newer mines, notably those of the Orange Free State, an increase in the labour force, an improvement in the supply of electric power and the addition of a number of new producers of uranium. The uranium industry has already shown good returns, both to the producing companies of which it is composed and to the Governments by whom it has been financed.

Recently the market in South African shares has not attracted the support and interest of the general investing public. I think the reason for this is, broadly, twofold, and may be simply stated.

Firstly, in recent years investment opportunities in other markets have been more attractive and funds have flowed there. Secondly, the sharp conflict within South Africa on certain racial and constitutional issues has created disquiet in the mind of the overseas investor.

The broad result has been that the "Kaffir" market, which is a barometer of public feeling of the Union's greatest exporting industry, if not friendless, has lacked the sustained and active interest of informed investment opinion.

So far as the Corporation's action is concerned in the year under review, we substantially increased our investment in South African securities.

The report and accounts were adopted.

MIDDLE WITWATERSRAND (WESTERN AREAS) LIMITED

(Incorporated in the Union of South Africa)

CONTINUED SATISFACTORY PROGRESS

MR S. G. MENELL'S REVIEW

The Twenty-third Annual General Meeting of Middle Witwatersrand (Western Areas) Limited will be held in Anglovaal House, Johannesburg, on Thursday, June 28, 1956, at 11 a.m. The following is the Review by the Chairman, Mr S. G. Menell, which has been circulated with the Report and Accounts for the year ended December 31, 1955:

Your Company and its subsidiaries continue to make satisfactory progress. During the year the consolidated profit amounted to £583,852, of which £125,120 was attributable to the minority interests. The parent Company's profit of £199,198 arises mainly from the realisation of certain investments, the proceeds of which have been utilised principally in exercising your company's options to subscribe for additional shares in the Hartebeestfontein Gold Mining Company Limited and in the Buffelsfontein Gold Mining Company Limited, and in acquiring a large holding in the Free State Saaiplaas Gold Mining Company Limited.

Your Company continued its policy of undertaking new ventures by acquiring mineral option contracts over large areas in the vicinity of Delmas and Leslie and in the Standerton district of the Transvaal as well as in the Hoopstad and Boshof districts of the Orange Free State. Since the end of the financial year the Company has embarked on a drilling programme in the Delmas and Leslie area.

During the year further loan advances were made to our subsidiary Sabi Mining and Exploration Company Limited, which continued its investigation of coal measures in two Reservations granted under Exclusive Prospecting Orders in Southern Rhodesia.

As set out in the Report of the Directors, satisfactory progress and profits are being made by Virginia Land & Estate Company Limited.

A summary of the arrangements in connection with the Riebeeck Gold Mining Company Limited, in which your Company will have a substantial interest, is contained in the Directors' Report (the relevant extract appears below). These arrangements are subject to the approval of the Stockholders of General Exploration Orange Free State Limited at a Meeting to be held shortly.

Details of the results so far obtained in boreholes drilled by the Zandpan Gold Mining Company Limited, in which your Company also has a substantial interest, have recently been published in the press.

PROGRESS OF MINING INTERESTS

Details of the progress achieved by other mining companies in which your Company has considerable shareholdings are as follows:

At the Virginia Mine, satisfactory progress is being made with increasing the rate of production, from a monthly average of 48,333 tons milled at a recovery grade of 4.065 dwt per ton during the quarter ended March 31, 1955, to an average of 73,667 tons milled at a recovery grade of 4.309 dwt per ton during the quarter ended December 31, 1955. Sulphuric acid production was commenced in

January, 1955, and uranium production in September, 1955. The working profit from all operations for the financial year ended December 31, 1955, amounted to £644,563, of which £223,554 was derived from acid production and £199,544 from uranium production. Work is proceeding on extensions to the reduction plant and it is anticipated that a milling rate of approximately 100,000 tons per month will be attained towards the middle of the current financial year. The ore reserve at December 31, 1955, was estimated at 1,067,000 tons having an average value of 4.72 dwt over a stopping width of 48.0 inches, an increase of 317,000 tons as compared with the ore reserve as at December 31, 1954. During the quarter ended March 31, 1956, 231,000 tons were milled at a recovery grade of 4.371 dwt per ton, resulting in a working profit, including sundry revenue, of £65,190. In addition, an estimated profit of £307,464 accrued from uranium and acid production.

At the Merriespruit Mine, official production was commenced with the month of March, 1956. 75,000 tons were milled at a recovery grade of 4.519 dwt per ton resulting in a working profit, including sundry revenue, of £45,433. In addition, treatment of the uranium- and pyrite-bearing concentrates at the Virginia Mine resulted in an estimated profit of £4,615. The shaft sinking necessary for the present requirements of the Mine was completed during the year and a connection between No. 1 and No. 2 Shafts was made on the 35th level. No. 2 shaft is to be used as an upcast ventilation shaft.

At the Hartebeestfontein Mine, the production of gold was commenced with the month of July, 1955, when a profit, including sundry revenue, of £57,683 was declared. During the quarter ended March 31, 1956, 165,000 tons were milled at a recovery grade of 9.413 dwt per ton resulting in a working profit, including sundry revenue, of £430,380. Work is in progress on extensions to the reduction plant and it is anticipated that, dependent upon the sorting rate achieved, a milling rate between 65,000 and 75,000 tons per month will be reached towards the end of the current financial year ending June 30, 1956. Further plant expansion is anticipated during the following year ending June 30, 1957. By arrangement with the Atomic Energy Board of South Africa, the Company is erecting a plant with a treatment capacity of 100,000 tons per month for the extraction of uranium from the residue slimes from the reduction plant. The contract with the Board will be for the sale of uranium over a period of 10 years from January 1, 1957. Construction work on the plant is proceeding satisfactorily.

During the quarter ended March 31, 1956, operations at New Klerksdorp Gold Estates Limited, after taking into account the profit from uranium production estimated at £34,500, resulted in a net profit of £23,622.

At the Stillfontein Mine, erection of the sulphuric acid plant was completed towards the end of the year and its capacity has since been increased to 225 tons daily. Satisfactory profits are being made from gold,

uranium and acid production, and the ore reserve established at December 31, 1955, was estimated at 3,506,000 tons having an average value of 8.67 dwt over a stopping width of 36 inches. Work has been commenced on the deepening of the Margaret Shaft.

At the Buffelsfontein Mine, the sinking of the Pioneer Ventilation Shaft was completed in October, 1955, and of the Pioneer Main Shaft in February, 1956. A limited amount of reef development has been accomplished with satisfactory results. Erection of the reduction plant is proceeding and it is anticipated that trial milling operations will be commenced during the second half of this year.

Preliminary work in connection with the sinking of two vertical shafts is proceeding at the Free State Saaiplaas Mine.

In conclusion I desire to place on record your Board's appreciation of the services rendered by Anglo-Transvaal Consolidated Investment Company Limited, our Secretaries and Technical Advisers, both at the Head and London Offices and by the Managers and Staffs of our subsidiary companies.

EXTRACT FROM THE DIRECTORS' REPORT

As was announced in the press on January 31 last, Riebeeck Gold Mining Company Limited has been incorporated to take cession of certain mineral rights in the Van den Heeverstrut Area ("the joint area") from General Exploration Orange Free State Limited ("Geoffries") and your Company.

A provisional agreement in regard to the future exploitation of that area has been entered into between your Company and inter alios Geoffries, and which is subject to ratification by the Stockholders of the latter Company, the principal provisions of which are as follows:

(i) Application will be made by the Riebeeck Company for a mining lease in respect of approximately 2,415 claims on the joint area.

(ii) While no vendor consideration will be payable, the Riebeeck Company will refund to Geoffries and your Company £507,085 expenditure incurred on the joint area, of which your Company's share is £248,845.

(iii) Geoffries and your Company have undertaken to lend to the Riebeeck Company up to £400,000 to meet its initial capital expenditure, of which your Company will contribute £100,000.

(iv) In the event of a mining lease being granted, initial development by the Riebeeck Company will be devoted to the Upper Reefs—that is to say, the reefs lying above the geological horizon known as the Upper Shale Marker. If that development shows that the Upper Reefs do not constitute a satisfactory mine, the Riebeeck Company will be thereafter entitled to mine the Lower Reefs lying below the Upper Shale Marker free of any consideration. If that develop-

ment shows that the Upper Reefs do constitute a satisfactory mine, then, subject to the consent of the Government Mining Engineer, Geoffries can incorporate the Lower Reefs either in a mine to be controlled by General Mining & Finance Corporation Limited or in any other mine, and in either case your Company will be entitled to 33½ per cent of any vendor or other consideration. In the latter case, the Riebeeck Company will be entitled to mine the Lower Reefs, in priority to any other mine, on payment of £300,000, of which £100,000 will accrue to your Company.

(v) If the application for a mining lease is granted, the capital of the Riebeeck Company will be increased to £3,500,000 divided into 7 million shares of 10s. each of which your Company and its sub-participants will be entitled to subscribe for 1,750,000 shares at par. When that £3,500,000 has been spent a further £2 million will be raised either by way of loan (of which your Company will be entitled to subscribe for £500,000), or by way of an offer of shares to the Riebeeck Company's then Shareholders. These issues will be jointly guaranteed or underwritten by

UNIVERSAL PRINTERS LIMITED

(Controlling Bemrose & Sons Ltd., Derby, Alf Cooke Ltd., Leeds, and Norbury Printers Ltd., Manchester)

DIVERSITY OF PRODUCTS

Mr MAX BEMROSE ON CAPITAL IMPROVEMENTS

The thirty-fifth annual general meeting of Universal Printers Limited was held on May 31st at Derby, Mr Max Bemrose, MA (The Chairman), presiding.

The following is an extract from his circulated statement:

The Trading Profit of the Group at £411,150, as against £447,991 in 1954, shows a reduction. Net Profit, after making provision for taxation, however, remains very close to that for 1954, the figures being £156,247 compared with £157,136 for the previous year.

An interim dividend of 5 per cent on the Ordinary Shares as increased by the issue of shares made in June, 1955, was paid on November 25, 1955.

Your Directors recommend payment of a final dividend of 10 per cent, making a total of 15 per cent for the year. Last year the distribution was 18½ per cent on the old capital which is equivalent to 14½ per cent on the present capital.

The net amount of the Preference and Ordinary dividends provided in the Accounts represents 4.71 per cent of the Shareholders' Funds employed in the business at December 31, 1955, i.e., the total of Capital and Reserves £1,367,806.

GROUP SALES

Whilst the Group Sales show a small increase in terms of money, the margin of profit is reduced. At the end of the year, the three Subsidiary Companies, Bemrose & Sons Limited, Derby; Alf Cooke Limited, Leeds; Norbury Printers Limited, Manchester; each had a full order book.

As a result of trade conditions our turnover in certain lines fell off during the latter part of the year, but we were fortunate in being able to replace much of the work lost. One of the main strengths of our Group is

General Mining & Finance Corporation Limited and by your Company in the proportions of 75 per cent and 25 per cent.

(vi) The Riebeeck Company will be under the technical and administrative control of Anglo-Transvaal Consolidated Investment Company Limited.

The Riebeeck Company has entered into an agreement with Loraine Gold Mines Limited whereby it will contribute to the cost of the driving by the latter of twin cross-cuts from its No. 2 shaft towards borehole No. 1 (on the common boundary of the farms Kromdraai 386 and Graspan 40) and thence into the proposed lease area of the Riebeeck Company. This will have the effect of reducing initial capital expenditure and assisting development in the northern section of the Riebeeck Company's proposed mine.

The Directors of the Riebeeck Company are:

B. L. Bernstein (Chairman), Sir George Albu, B. E. Herscov, R. F. Lapping, E. L. Lloyd, C. S. McLean, S. G. Menell and J. Scott.

the diversity of its products, and its ability to serve many industries.

We have continued to make further improvements to our factory buildings during 1955. The total expenditure of £73,869 on additions to Land and Buildings for the year includes the balance of the cost of the new factory near Derby, which is now in full production.

NEW MACHINERY

The sum of £191,179 was spent last year on new machinery, and further commitments amounting to £106,772 were outstanding at December 31, 1955.

Although the cost of additions to Plant and Machinery during the past nine years has amounted to £947,290, the book value of the whole of our Plant and Machinery at December 31, 1955, only amounted to £691,913.

The modernising of our Plant is a great achievement, firstly because it has been financed wholly out of retained profits, and secondly because it helps us to compete by enabling us to use to the best advantage the limited labour available.

The private sector of industry must not be prevented from making capital improvements if the real standards of living are to increase. Neither can there be economic growth if differential awards are not available (after allowing for taxation) for hard and conscientious work, skill, initiative and responsibility.

THE FUTURE

Although the trading results of the first three months of the year are similar to those for 1955, the credit squeeze and possible reduction in consumption may adversely affect the sales of the Group.

As a result of lengthy negotiations with the Trades Unions we are faced with sharp increases in wages. Every endeavour will be made to meet the additional cost by greater output and increased efficiency. Nevertheless, it seems inevitable that the prices of some of our products will have to be increased.

In view of these factors I hesitate to forecast the future.

In conclusion I would like to thank the Staff and Employees for their continued loyalty and ability. We are fortunate that so many regard their work as a vocation.

The report and accounts were adopted.

THE ANGLO-EGYPTIAN OILFIELDS, LIMITED

The Annual General Meeting of The Anglo-Egyptian Oilfields, Limited, was held in Cairo on May 31st.

Mr H. M. Jones, the Chairman, in the course of his statement, said: At the Annual General Meeting last year I announced that an understanding had been reached with the Government regarding the 50/50 Agreement, and that we expected the 61 licences to be issued within a matter of days to Anglo-Egyptian Oilfields and Mobil Oil Egypt (formerly the Socony-Vacuum Oil Company of Egypt) as authorised by Law 205/1954. I also mentioned at last year's Annual General Meeting that an understanding had been reached with the Government on the main outstanding problem arising from differences of interpretation of the 1954 Price Agreement.

The position regarding the 50/50 Agreement is that subsequent to the last Annual General Meeting some new factors were injected into the field of negotiations and eventually the negotiations were concluded in February when the last outstanding point was agreed and the agreement was initiated by the negotiators. In so far as your company is concerned, we are now awaiting only the final formalities of signing the agreement and the issue of the licences. We have the men, the material, and the money—and all of us are anxious to get on with the task of, firstly, establishing whether or not oil exists in commercial quantities in those areas which have already been the subject of considerable expenditure by our Company and thereafter of long protracted negotiations and, secondly, if we are successful in exploration, of increasing our contribution to the national economy.

The Preliminary Announcement issued on April 7th explained that the Government had not yet confirmed the understanding, announced at last year's Annual General Meeting, on the main point of difference in the interpretation of the 1954 Price Agreement. However, a Committee has recently been set up by HE The Minister of Commerce and Industry to study the points outstanding between the Government and the Oil Companies, and we must hope that this matter will appear high on the agenda. In the meantime, as stated in the Directors' Report and the Preliminary Announcement, the Board have made no special allowance in the 1955 Accounts for adverse financial consequences.

There is no news regarding the 160 Exploration Licences—138 in the Delta Area and 22 in the Gulf of Suez—for which we had originally applied in February 1955 in accordance with the provisions of the Mining Law. As a result of recent amendments in the legislation we have re-submitted our applications: a decision by HE The Minister of Commerce and Industry is now awaited.

The net revenue for the year 1955, after providing £541,000 for Egyptian taxation, was £2,519,000 as against £1,800,000 for 1954. This increase, explained in the Accounts paragraph of the Directors' Report, is largely due to an increase in the sales tonnage.

The pattern of the decline in production from the fields has followed the lines forecast last year. Once again complete inactivity in exploration operations caused by the continuing lack of new licences must be reported. The programme of modifications and modernisation of the Refinery plants is being carried out according to plan.

Resolutions for the increase of the capital to £5,665,500 and for the bonus issue of one new "B" share for two "A" shares held were approved and the Report and Accounts were adopted.

KREDITANSTALT FÜR WIEDERAUFBAU

(Reconstruction Loan Corporation)

FRANKFURT-ON-MAIN GERMANY

BALANCE SHEET AS AT 31st DECEMBER, 1955

ASSETS			LIABILITIES		
	DM	DM		DM	DM
1. Cash Reserve :—			1. Creditors :—		
(a) Cash in hand ...		13,473.59	(a) German Federal Re-public ...	3,816,008,173.62	
(b) Balances on Giro Ac-counts at Land Cen-tral Bank, at Bank deutscher Länder and on Postal Cheque Account ...	15,520,138.73	15,533,612.32	(b) Bank deutscher Länder ...	139,527,559.98	
2. Balances at Banks :—			(c) Other Lenders ...	382,944,000.—	
(a) Sight balances ...	40,557,707.76			4,338,479,733.60	
(b) Due within 3 months...	22,000,000.—	62,557,707.76	(d) Other Liabilities :—		
3. Bills of Exchange (including bills eligible for rediscount at Central Bank DM 35,087,890.69) ...		118,183,216.69	Interest ...	28,634,798.99	
4. Own Securities :—			Others ...	210,829.13	4,367,325,361.72
(a) Own Bonds : DM			2. Own Loans Issued :—		
129,600 nominal ...	129,600.—		(a) 5½% Reconstruction Loan :—		
(b) Own Fixed Interest-bearing Securities ...	1,384,017.50	1,513,617.50	Series I ...	44,707,300.—	
5. Debtors :—			Series II ...	292,500,000.—	
(a) Loans granted :—				337,207,300.—	
To Banks, for passing on to Borrowers ...	3,097,947,926.73		(b) 3½% Housing Loan ...	344,407,300.—	
Direct to Borrowers ...	1,648,091,850.—	4,746,039,776.73	(c) Drawn Bonds ...	38,235,000.—	
(b) Other Claims :—			(d) Interest Coupons not yet presented ...	5,241,372.75	387,883,672.75
Interest ...	28,503,809.18		3. Loans channelled to Bor-rowers on a Trust Basis :—		
Others ...	1,744,756.92	30,248,566.10	(a) In Own Name ...		123,747,942.—
6. Loans channelled to Bor-rowers on a Trust Basis :—		4,776,288,342.83	(b) In Name of E.R.P. Special Fund ...	156,020,000.—	
(a) In Own Name ...			4. Capital Funds :—		
(b) In Name of E.R.P. Special Fund ...	156,020,000.—		(a) Capital ...	1,000,000.—	
7. Real Estate and Buildings ...		1.—	(b) Reserve formed from Resources of the E.R.P. Special Fund ...	129,262,428.—	
8. Office Furniture and Ma-terials ...		1.—	(c) Legal Reserve ...	80,991,217.31	211,253,645.31
9. Items for the purpose of distinguishing between separate Accounting Periods ...		757,143.32	5. Reserves for Special Purposes		6,814,000.—
10. Customers' Liability on Endorsements of Bills of Exchange ...	24,742,454.17		6. Items for the purpose of distinguishing between separate Accounting Periods ...		1,556,962.64
11. Customers' Liability on Guarantees ...	396,225,257.55		7. Endorsement Liabilities on rediscounted Bills of Ex-change ...	24,742,454.17	
		5,098,581,584.42	8. Liabilities in respect of Guarantees ...	396,225,257.55	
					5,098,581,584.42

PROFIT AND LOSS ACCOUNT FOR 1955

EXPENDITURE		RECEIPTS	
	DM		DM
1. Operating Expenses ...		1. Interest received in excess of interest paid ...	20,241,657.55
2. Depreciation :—		2. Other Receipts ...	779,399.37
On Real Estate and Buildings ...	91,995.51	3. Extraordinary Receipts ...	34,045.60
On Office Furniture and Materials ...	77,089.56		
3. Placed to Reserves ...			
4. Other Expenditure ...			
5. Net Profit for 1955 (transferred to Legal Reserve) ...			
	21,055,102.52		21,055,102.52

Frankfurt-on-Main, 11th February, 1956.

Reconstruction Loan Corporation
NEUBAUER DR. MARTINI GDYNIA DR. DOHRN

According to the conclusive result of our audit, which was duly carried out on the Basis of the books and records of the Reconstruction Loan Corporation, as well as of the explanations and statements supplied by the Board of Management, the bookkeeping, the Annual Statement of Accounts as at 31st December, 1955, and the Annual Report, in so far as it elucidates the Annual Statement of Accounts, are in accordance with the provisions of the law.

Frankfurt-on-Main, 25th February, 1956.

Deutsche Revisions-und Treuhand-Aktiengesellschaft
(German Auditing and Trust Company)
DR. ADLER
Certified Auditor
DR. von STEINSDORFF
Certified Auditor

NATIONAL BANK OF NEW ZEALAND

CONTINUED EXPANSION OF BUSINESS

MR ARTHUR H. ENSOR'S STATEMENT

The annual general meeting of The National Bank of New Zealand Limited will be held on June 28th in London.

The following are extracts from the circulated statement of the Chairman, Mr Arthur H. Ensor:

You will observe in the Balance Sheet that, pursuant to the Resolutions which were approved at the last Annual General Meeting, our capital now stands at £2,400,000, divided into shares of £2 10s. upon which £1 has been paid up.

The Reserve Fund amounts to £2 million. In conformity with the more general practice, the item Bills Payable and Other Liabilities, previously shown separately, is now amalgamated with Deposit and Current Accounts. The total for this item, now designated Current, Deposit and Other Accounts, is £60,305,000, a reduction of £4,366,000 compared with the figure for last year.

On the assets side of the Balance Sheet the principal alterations are a reduction of £3,663,000 in Cash and Balances with Bankers, and a reduction of £1,770,000 in Advances.

The net profit after provision for taxation is £277,447, against £265,430 last year.

From the profit brought in, £100,000 has been allocated to Contingency Account and an interim dividend of 4 per cent actual, less United Kingdom Income Tax at 8s. 6d. in the £, was paid in January last. The Directors now recommend for your approval a final dividend of 6 per cent actual, less United Kingdom Income Tax at 8s. 6d. in the £, making a total of 10 per cent for the year on the increased capital. The amount left to be carried forward is £227,497.

BUSINESS DEVELOPMENT

It is pleasing to report that our business continues to expand and that over the past ten years the number of customers on our books has more than doubled. The total number of our branches and agencies is now 140

PRIMARY INDUSTRIES

With continued mechanisation, high yielding grasses and good pasture management, farm production continues to increase, the volume index being a third higher than in 1938/39.

Wool prices this season have been on the average slightly lower than in the previous year. The fall has been less in the case of crossbred wools than for other types, and therefore in New Zealand, where crossbreds predominate, the drop in wool prices has not been so marked as elsewhere. The volume of production this year has been a little higher than in the previous season.

Production of meat for export in the first six months of the current season was 280,000 tons, a new record, although this is partly due to early killings as a result of the dry season in the South Island. In the 1954-55 season total exports were not far short of 400,000 tons, most of this coming to the United Kingdom.

The first New Zealand newsprint is now

being produced by the Tasman Pulp and Paper Co., Ltd., at their Kawerau plant. Some has been used in New Zealand and Australia, and shipments of wood pulp have been made to the United Kingdom and Australia. New Zealand Forest Products, Ltd., producers of kraft paper, timber and allied products, have announced their intention of substantially expanding their plant capacity in order to utilise more fully the annual growth of the Company's forests. Whakatane Board Mills, Ltd., brought a further cardboard machine into operation during the year, and their plant capacity is now 30,000 tons a year.

FINANCE

New Zealand's overseas balances at the end of December, 1955, stood at £65 million, a decrease of £23 million compared with the previous year. This followed a fall of £17 million in 1954. Imports during 1955 averaged more than £22 million a month, as against £20 million in 1954. Such a level could not be sustained, and it is satisfactory to record an improvement in the exchange position in the early months of this year, overseas balances recovering to £85 million at the end of March. Indications are that imports for the full year will show a considerable reduction.

Rates of interest throughout the economy

have shown an upward trend. Typical movements have been an increase from 4½ per cent to 4¾ per cent in the rate charged by the State Advances Corporation on loans for new houses, an increase in the fixed deposit rates of the Trading Banks and the raising of the maximum rate for Local Body Loans from 4½ per cent to 4¾ per cent.

GENERAL TRADING AND INDUSTRIAL CONDITIONS

During the year to March, 1956, the Consumers' Price Index rose by 2.5 per cent, compared with 3 per cent in 1954/55 and 5.4 per cent in 1953/54. There was no application to the Arbitration Court for a general increase in wages, and the amount of time lost in industrial stoppages, although showing some increase over the very low figures of the two previous years, was small.

The value of retail sales showed a slight increase, but when allowance is made for variations in prices it appears that the volume of sales was about the same as in the previous year. With changing conditions, competition among manufacturers and traders has become very keen in many lines, and this is likely to be more pronounced in the current year.

It would be true to say that the general position in New Zealand is one of prosperity yet still inflationary with overfull employment, a strong demand for goods and services, and a lack of personal savings.

There are signs that the financial measures taken over the past twelve months are beginning to have some effect in damping down inflationary trends, and conditions are tending slowly to assume a more healthy form.

It is clear, however, that present financial policies will have to be continued for some time if relative stability is not only to be achieved but is also to be maintained.



PHILLIPS RUBBER SOLES LTD.

The 29th Annual General Meeting was held on 7th June, 1956, the Chairman, Mr. Peter Pettit, presiding.

THE ACCOUNTS for the year ended 28th February, 1956, show:
Profit for the year £204,409
(compared with £218,606 for the previous year).

APPROPRIATIONS:
Income Tax and Profits Tax £120,000
Transfers to Reserve 1,059
Dividends (Net) 51,750
Added to amount carried forward 31,600
£204,409

The following points are included in the Chairman's Review, which was circulated with the Annual Accounts:

- Sales of PHILLIPS Soles and Heels in both the home and export markets reached new high levels, but total Group earnings were a little lower.
- Prices of PHILLIPS lines have been kept down over a long period—increased costs being met by expanding output, but a small general increase of prices was made in January, 1956, chiefly necessitated by two national wage awards.
- Finance. Permission had been obtained to raise privately £250,000 unsecured loan stock, towards the rebuilding and re-equipment of the Manchester factory. Negotiations are in hand to do this.
- Additional Premises and equipment have been acquired in the meantime to ease the strain in the main factory.
- For the current year costs still tend to rise, but it is hoped that the credit squeeze will not adversely affect the sale of PHILLIPS Soles and Heels, which are a particularly good "buy" in hard times.

A Final Dividend of 15% (making 20% for the year) was approved, and the Report and Accounts were adopted.

UNITED DRAPERY STORES

Year of Continued Expansion

TEN YEARS' PROGRESS

The following are extracts from the statement by Sir Brian E. S. Mountain, Bart. (the chairman), circulated with the Report and Accounts for the year ended January 28, 1956:

The year under review has been one of continued expansion.

ALEXANDRE LIMITED.

The acquisition of this business was completed on February 1, 1955. This is our last acquisition to date and it has proved a most satisfactory one. This business, built up under the able direction of its present Chairman, Mr S. H. Lyons, has recently celebrated its 50th Anniversary, and I think we may confidently anticipate that it will make still further progress in the future.

PROPERTY VALUATION

Our freehold and leasehold properties have been valued by Messrs Healey & Baker at £16,423,535. This figure showed a surplus of £6,114,134 over book value but your Board decided to exclude from the Balance Sheet the value placed on all Leaseholds expiring before the year 2000 amounting to £2,038,000. This reduced the net surplus to £4,076,134, the figure dealt with in the Accounts. £3,360,042 has been applied to writing off the Goodwill.

CONSOLIDATED ACCOUNTS

The Group Trading Profit amounts to £6,091,144, an increase of £1,540,366 over the previous year, and each of our subsidiaries has had a satisfactory year's trading. A number of branches have been transferred from the Prices tailoring group and are now operating as Alexandre or Richard Shops. We have also modernised and converted nearly 150 of the Fifty Shilling Tailor shops, which now trade as John Collier. Once the conversions have been completed, there has been a noteworthy increase in sales in the branches concerned. Our programme of modernisation is still far from complete, but I believe the current year's profit should materially benefit from all this expenditure and effort.

UNITED DRAPERY STORES LIMITED

Executive Offices: 364-366 Kensington High Street, London, W.14

TAXATION

The charge for taxation has risen by nearly £900,000 and amounts to nearly 11s. in the £ of our total net earnings. After deducting taxation and the profits attributable to outside interests, Group profit amounts to £2,453,756, an increase of £610,599. Of this profit after payment of dividends, we are retaining £1,153,576 in the business.

Our total sales under hire purchase terms amount to only 7 per cent of the total Group turnover, and although the additional restrictions imposed by the Chancellor last year may bring about a further contraction in hire purchase sales, this can only have a slight effect on the turnover of the Group as a whole.

GOODWILL

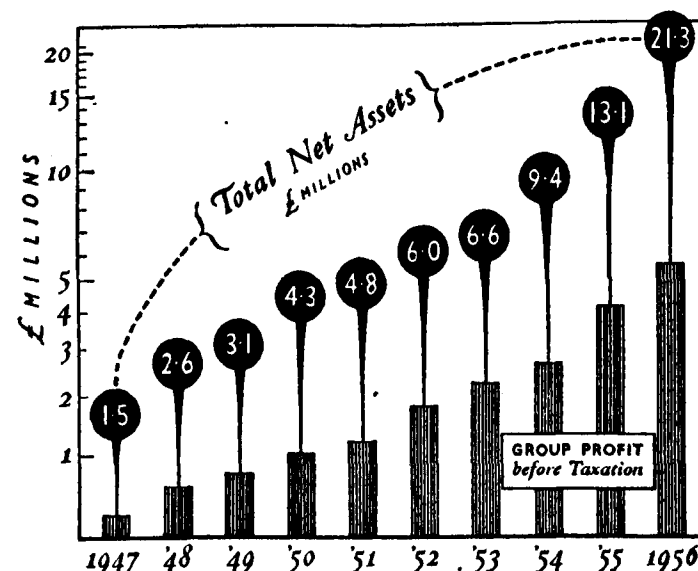
We have taken the opportunity of reducing the book value of Goodwill to a nominal amount of £1 by writing the balance off against part of the Surplus on Valuation of Property

Capital and Reserves now amount to £15,406,976, an increase of over £64 million in the year.

FUTURE PROSPECTS

The Group turnover for the first quarter of the year shows a satisfactory increase, and we have no reason to suppose that this trend will not continue. Our main concern is that almost every item of expense continues to increase, and this year, in particular, we are faced with very heavy additional demands for Rates resulting from the new assessments.

For the remarkable growth of the Company's business during the last eleven years we are indebted to our Vice-Chairman and Managing Director, Mr Joseph Collier, whose vision and brilliant direction have achieved these results, backed by a team of able Executive Directors and Staff. Providing present trading conditions continue, I am confident that next year I shall be able again to present accounts showing still further progress.



BRITISH TIMKEN LIMITED

MR JOHN PASCOE ON "UNNECESSARY UPROAR" OVER AUTOMATION

Mr John Pascoe, Chairman and Managing Director of British Timken Limited, at the Annual General Meeting in Birmingham on May 30th said that, excluding the £1 million Preference share issue in 1948, all postwar expansion had been financed by retained profits. Mr Pascoe added:

Our Reserve Fund is represented by assets permanently employed. We are therefore proposing to issue to Ordinary shareholders one new Ordinary share for every two held.

During 1955 we purchased the freehold of part of our Birmingham factory and thus deleted £25,512 from Leasehold Property. Further additions to Freehold Property are mainly due to the new factory at Daventry. In the past four years capital expenditure on expansion and re-equipment has been approximately £2,500,000, and capital commitments at the end of 1955 were £633,000.

This large capital expenditure and very considerable future amounts we foresee, necessitate a conservative dividend policy. However, we recommend a small increase.

Our profits were obtained from a much larger turnover, and I cannot emphasise too strongly that adequate profits are necessary to maintain and support the growth of our productive capacity. We cannot but regard the increase in Profits Tax of the last Budget as most regrettable and difficult to reconcile with a real belief in free enterprise.

The satisfactory increase in orders came from almost every section of industry. In spite of greatly increased home demand, we were able to increase our direct exports. These went to over 92 countries. To maintain and build up these direct exports, your Directors and senior officials made many visits overseas and in addition we maintain technical representatives in a large number of overseas territories.

I was unfortunately correct last year in suggesting we were entering a more difficult period in obtaining raw material. At present the obtaining of adequate high-grade alloy steel is a very difficult problem. Although our operations have not yet had to be curtailed, unless we can overcome this difficulty our rapid expansion may be forced into a slower pace.

We are expanding the Daventry factory and about the year end a further section should be in operation. This factory has enabled us to obtain a greater turnover in the larger types of tapered roller bearings, and we are confidently expecting further opportunities of expanding these activities. In this factory, with its new and very expensive machinery and equipment, it is particularly essential to maintain at least two-shift working so that we may compete with active foreign competition. Manufacture cannot be economical if a very expensive machine tool only works for a fraction of the available hours.

AUTOMATION

Last year I referred to the almost incredibly rapid development of the machine tool and of the automatic control of industrial processes and movement. Great attention has been focused on this evolutionary development by the importation of the word "automation" from the United States. The convenience of being able to describe this technical development in manufacturing methods by one, although ugly, word, automation, has led to a spate of writing, very little of which has relation to fact. The prevalent idea that we are on the eve of displacement of large numbers of workers by automatic brains and robot manned factories is unrealistic to the point of being fantastic.

As always in industry, the development of new manufacturing techniques will mean transfer of some workers from one industry to another. To me, the problem seems to be whether the older industries can lessen their demands for workers rapidly enough to permit new industries, which grow up year by year, to satisfy their demands for manpower.

A prominent USA industrialist has said that half today's industrial force in that country is producing and distributing products not even heard of fifty years ago, and that with the acceleration of modern development the next twenty-five years is likely to show a similar shift in the working population.

This undoubted pattern of the past and forecast of the future must, on a little consideration, mean that all that is covered by this word "automation" must not be regarded as anything of a tragedy to our working population, but rather as a definite promise of increasing standards of living in the future.

When all the unnecessary uproar over this word has died, I still hope to be able to tell you that, with increased efforts in research and development, we are keeping abreast of all advances in modern techniques and so playing our part in the development of a still more efficient industry in this country.

FUTURE PROSPECTS

During this year demand from the motor-car trade has fallen, and we have warnings from two eminent members of that industry that the immediate future is likely to present some difficulty.

In other directions, railways, commercial vehicles, aircraft, machine tools, and large rolling mill bearings, there has been no fall in demand. There is every indication that manufacture of bearings for these industries, comprising the greater part of our turnover, will keep our factories well employed this year. Further, we are confident that requirements for large bearings will enable us, with our expanding facilities, to increase our turnover in these during the coming year, always provided that the considerable raw material difficulties are overcome.

I must, however, remind you that we are in a period of further increases in costs, and it is only to be hoped that inflation will be stemmed sufficiently rapidly to permit our continued successful competition in foreign markets.

Our contribution towards modernisation of British Railways is already considerable. Many of the new locomotives, both diesel and electric, will run on our axle boxes, and we have great hopes that the demand from railways in this and other countries will afford us opportunities for very considerable expansion during the coming years.

Our output to the aircraft industry has been well maintained, and we are continuing to share in the world success of the famous Vickers Viscount.

FISCHER BEARINGS COMPANY, LIMITED

The products of our subsidiary, Fischer Bearings Company, Limited, continue to meet a wide range of acceptance, particularly in the aircraft industry.

Orders on the Fischer books are appreciably greater than a year ago and include a substantial increase in the special bearings made for the latest types of aircraft engines. The Fairey Delta II, which recently established a new air speed record of 1,132 miles per hour, has FBC bearings in its Rolls-Royce engine.

Mr Pascoe thanked employees of British Timken Limited, Fischer Bearings Company, Limited, and British Timken SA (Pty) Limited, for their services and paid special tribute to the Managing Director, Mr J. N. F. Brown, of the South African subsidiary for his part in building direct exports.

BANQUE DE PARIS ET DES PAYS-BAS

(Paris)

The annual general meeting of the Banque de Paris et des Pays-Bas was held in Paris on April 26, with Monsieur Emanuel Monick in the Chair, and the following is a summary of the report presented by the Board of Directors:

ECONOMIC EXPANSION

The world economy in 1955 was marked by rapid industrial expansion, persistent agricultural overproduction, and altogether unprecedented prosperity. The industrial advance was largely due to the recovery of the American economy, which had set in during the closing months of 1954.

In Europe, too, there was distinct economic progress. In Germany and the Netherlands unemployment has practically disappeared, and the menace of inflation, closely linked with an exceptional rate of expansion, has grown in almost every country.

The Bank expanded its activities during the year in the many countries where it has interests. It participated in the issue of five-year State Savings Bonds and took an active part in a number of other financial operations, such as share issues, loans, and capital increases conducted by large industrial organisations. Particular importance attached to the Bank's operations in Colombia, Peru and Brazil, where it is actively engaged in promoting the construction of steel plants.

PROFIT AND DIVIDENDS

The balance sheet at December 31, 1955, totalled Frs.124,428,123,106, as against Frs.118,250,751,973 in the preceding year.

Net profits available for distribution amounted to Frs.785,529,400, as against Frs.663,125,222 for the previous year. It was accordingly proposed to distribute a dividend of Frs.600 net per share of Frs.5,000 nominal, equivalent to Frs.659,340,759, to appropriate Frs.87,019,887 for various purposes, and to carry forward the balance of Frs.39,168,754.

The report and the proposals put forward by the Board were adopted.

THE ORION INSURANCE COMPANY, LIMITED

CONTINUED DEVELOPMENT

SIR STRATI RALLI'S REVIEW

The twenty-sixth Annual General Meeting of The Orion Insurance Company, Limited, will be held on June 14th in London.

The following is an extract from the circulated statement of the chairman, Sir Strati Ralli, Bt, MC: In my statement last year I advised you that your Board was endeavouring to develop the Company's Fire and Accident business on a wider basis, both at home and overseas, and in the year under review some progress has been made in pursuance of that policy.

In the United Kingdom the Company has appointed productive Broker Agencies in various cities and towns and although the results in terms of premium income are, as yet, comparatively modest, advances are being made in the right direction and a considerable measure of goodwill has been established. As a further step in the development programme the Company has acquired the lease of premises in Manchester and the first home Branch of the Company will be established there in the very near future. Mr F. K. Marriner, FCII, has been appointed the Branch Manager and we welcome him to our service.

Overseas, new Underwriting Agencies have been appointed for Egypt, at Alexandria, and in Malta. Following the visit of Mr T. R. Easton, Joint General Manager, to Australia last year your Board decided to convert our Underwriting Agency at Sydney to a Branch basis. Mr L. F. Thorpe has been appointed Manager for New South Wales and the Staff of the Agency have become members of the Staff of the Company. We extend a welcome to our new Manager at Sydney and to all the members of his Staff there.

The measures which I have thus briefly outlined in furtherance of the Board's declared intention to seek expansion of our Fire and Accident business at home and abroad bring inevitably in their train an increase in expenditure but, although the fruits of our endeavours will not be immediately apparent, your Board is confident that the Company is moving prudently in the right direction. The early period of the development process of a young Insurance Company—and we are still so, measured in terms of the majority of our competitors—cannot be other than slow if allied, as it must be, with care.

MARINE DEPARTMENT

In the Marine Department the Net Premium Income for 1955 amounted to £1,211,036 compared with £1,047,744 for 1954.

The ratio of total Claims paid in respect of all Underwriting Accounts was 72 per cent compared with 78 per cent in 1954. Expenses of Management amounted to 5.8 per cent compared with 6.3 per cent last year.

The 1953 Underwriting Account has closed with a very satisfactory profit out of which the sum of £110,000 has been transferred to Profit and Loss Account.

The Marine Fund now stands at £1,563,889 (129 per cent) compared with £1,408,679 (134 per cent), the slight reduc-

tion in percentage being due to the increase in premium in 1955.

With regard to the Open Underwriting Years, the 1954 Account, although not quite so good as 1953, gives every indication of producing a satisfactory profit. The first year settlement for 1955 is almost the same as that on the 1954 Account.

The Aviation business is included as is customary in the Marine figures and I am glad to be able to report another satisfactory profit in this Section.

FIRE, ACCIDENT AND MISCELLANEOUS DEPARTMENT

The Net Premium Income in this Account amounted to £774,905 compared with £809,872 for 1954.

The fall in Premium Income is attributable to a re-examination of the composition of the whole of this Account resulting in a considerable reduction in certain sections. Progress has been made, however, in other sections and the direct Fire and Accident Income from all sources has increased by more than 10 per cent.

The total figures of all Classes combined show Claims incurred 71 per cent on Earned Premiums, and Commission and Expenses 25 per cent, thus enabling us to transfer the sum of £29,239, equivalent to 4 per cent, to Profit and Loss Account.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

The total of the transfers from the Revenue Accounts amounts to £139,239 as against £148,335 last year and after bringing in Gross Interest and Dividends of £163,761 (£145,618) and deducting Directors' Fees £3,000 (£3,000), Other Expenses and Audit Fee £33,773 (£27,529), Overseas Taxation £3,051 (£7,000) and provision for United Kingdom Taxation of £145,000 (£190,000), the Net Balance for the year amounts to £118,176. To this amount has been added the sum of £25,268 being net Dividends received relating to previous years and the sum of £162,838 brought forward from 1954 making a total of £306,282 available for appropriation.

Your Directors have decided to transfer the sum of £15,000 to the Provision for Staff Contingencies and to augment the General Reserve and the Investment Reserve by the transfer to these funds of £25,000 and £60,000 respectively.

Your Directors recommend the payment of a Dividend of 15 per cent (less income Tax) for the Year 1955, being an increase of 2½ per cent over the Dividend paid for the Year 1954. This requires a net sum £43,125 leaving a balance of £163,157 to be carried forward to the next Account.

Total Assets continue to grow and now amount to £5,729,391. The Market Value, or, where there is no quotation, the estimated value, of our Investments at December 31, 1955, was, in the aggregate, in excess of the Balance Sheet figure.

WORTHINGTON-SIMPSON, LIMITED

RECORD TRADING PROFIT

The sixty-fifth annual general meeting of Worthington-Simpson, Limited was held on June 5th in London, Sir Samuel R. Beale, KBE, MIMechE, chairman, presiding.

The following is an extract from the chairman's circulated statement for the year 1955: The Report and Statement of Accounts shows a record trading profit of £887,658 compared with £652,202 for 1954. After making provision for all charges, including taxation, the net profit for the year under review is £405,977 as against £296,112 for 1954. I feel that some explanation is necessary to indicate the cause of the considerable increase in profits over last year. The major portion results from increased sales and output of our established lines, coupled with increased sales from developments to which I referred last year; additionally we have been able to take profits on certain large contracts which have come to fruition during the year.

Our order book stands at about the same high level as last year and the incoming business for the first quarter this year is most encouraging.

Our capital commitments at £136,353 are considerably in excess of those at the end of 1954. The expenditure covers new machine tools, plant extensions and additional office accommodation.

The report and accounts were unanimously adopted; the proposed final dividend of 10 per cent on the Ordinary shares, making 20 per cent for the year, less income tax, was approved.

ODHAMS PRESS LIMITED

INCREASED REVENUE

The thirty-sixth annual general meeting of Odhams Press, Limited, was held on May 31st in London.

Mr A. C. Duncan, FCA (the chairman), in the course of his speech, said: Whilst our gross revenue as compared with that of the previous year has increased by £3,707,000, production costs and other expenditure have increased by £3,637,000. The increase in Trading Profit is £70,000. These results were achieved despite the losses incurred from a serious stoppage of our newspaper activities in the early part of the year, followed by a strike on the railways which involved us in further heavy costs.

The last page of the Report gives an up-to-date picture of the expanding scope of your company's activities and a list of the 56 publications owned or controlled by it, an increase of eleven during the past year.

The *Daily Herald* and *The People* maintain their influence, popularity and place among the great national newspapers and *The Sporting Life* also retains its pre-eminent status.

The sales of *Woman* exceed 3,300,000 copies per week, a world record for a publication of this kind, and *John Bull* and *Illustrated* maintain their leading position in their own fields. *Ideal Home* has maintained its popularity.

Overall, the sales of our newspapers and periodicals are, approximately, 23 million copies a week.

The report was adopted and a final dividend of 1½ per cent, making 17½ per cent for the year, was approved.

APPOINTMENTS

UNIVERSITY OF BIRMINGHAM

Applications are invited for a Research Fellowship or Associateship in the Faculty of Commerce and Social Science.

A Fellowship or Associateship is subject to annual renewal and is normally tenable for three years. A Fellow should possess a doctor's degree or have had equivalent research experience; an Associate should be a graduate of at least two years' standing. The salary will be not less than £550 p.a. for a Fellow, and £500 p.a. for an Associate, with membership of the F.S.S.U. and family allowance.

Applications (two copies), with the names of two referees, should reach the Registrar, The University, Birmingham 15, not later than June 23, 1956. Candidates are invited to submit with their applications a brief outline of their proposed research.

G. L. BARNES, Secretary.

The University, Birmingham 15.

UNIVERSITY OF ST. ANDREWS

The University Court of the University of St. Andrews invites applications for a Lectureship in Political Economy in St. Andrews College. Applicants should have a special interest in Social Economics. The appointment will date from October 1, 1956, or as soon thereafter as possible. The salary will be on the scale £650 by £50 to £1,350 per annum (subject to an efficiency bar at £1,000), commencing salary depending on qualifications and experience. The post carries F.S.S.U. benefits and family allowances, and a grant towards expenses of removal will be made. Further particulars may be obtained from the undersigned, to whom five copies of the application, together with the names of three referees, should be lodged not later than June 30, 1956.

D. M. DEVINE, Joint Clerk to the University Court, College Gate, St. Andrews.

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited for a temporary Tutorship in Economics. Salary between £400 and £500 per annum according to qualifications and experience. The appointment will be for one year in the first instance and may be renewed for a second year. Applications should be sent by June 30, 1956, to the Registrar, University College, Singleton Park, Swansea, from whom further particulars may be obtained.

CITY AND COUNTY OF KINGSTON UPON HULL

TOWN PLANNING DEPARTMENT

Applications are invited from suitably qualified persons for the post of Planning Assistant, Grade APT.III (£640 x £25—£765 per annum).

Preference will be given to candidates possessing an Honours Degree in one of the Social Sciences and/or practical research experience with a Local Planning Authority.

Housing accommodation will be provided in appropriate cases.

Application forms may be obtained from the undersigned and should be returned not later than Saturday, June 23, 1956.

H. F. ALSTON, M.T.P.I., A.R.I.C.S., A.M.I.Mun.E., Town Planning Officer.

Guildhall, Kingston upon Hull.

May 31, 1956.

ADMINISTRATIVE OFFICER

required in the London Office of the UNITED KINGDOM ATOMIC ENERGY AUTHORITY for work relating especially to the policy and conditions of employment of non-industrial staff.

Salary in the range of £1,900-£2,200 (likely to be reviewed shortly); contributory pension scheme.

Applicants who can show evidence of high administrative ability coupled with appropriate experience should send postcard for application form to U.K.A.E.A., Room 11, 14 Ormond Yard, St. James's, London, S.W.1. Closing date for receipt of requests for forms will be June 30th.

TRAINING OFFICER required by N.C.B.'s Staff Department in London to be responsible to the Head of Staff Training Branch for work which includes the education and training of non-technical staff at London Headquarters, the co-ordination of divisional activities in this field, and the organisation and administration of national courses and conferences (including the Summer School) for both technical and non-technical staff. Candidates should have had a wide experience of education or of industrial training. They should possess a good degree, administrative experience, teaching ability, and be well versed in the methods and knowledge of the coal industry would be an advantage. Appointment (superannuable), according to qualifications and experience, with inclusive range £1,454 to £1,820. Write, with full particulars, to Mr. J. H. G. Jones, Director of Training, N.C.B., National Coal Board, Hobart House, London, S.W.1, marking envelope SS/303, before June 26, 1956.

C.W.S. Market Research Department has vacancies for **TRAINEE ASSISTANTS** with qualifications in economics, commerce, statistics, etc. (Consideration will be given to applicants who expect to complete their degree courses this term.) The work of the department is concerned mainly with the study of consumer habits and retailing practices, and persons appointed may work in the office or in the field. Commencing salary £500 per annum. Apply, giving full details of age, education, etc., to C.W.S. Limited, Central Labour Department, 1 Ballgown Street, Manchester, 4.

ORGANISATION and Methods Officer required by a large engine manufacturing factory in the Manchester area. Must be experienced and hold an Accountancy and/or Engineering qualification. As this will be the initial appointment prospects are excellent. A suitable salary will be paid, together with a contributory Pension Scheme. Apply, setting out details of practical experience of Organisation and Methods work, to The Personnel Officer, The National Gas and Oil Engine Co. Ltd., Wellington Works, Ashton-under-Lyne, Lancashire.

ARTICLES offered by medium-sized firm of Chartered Accountants in the West End to suitable persons leaving school in July. No premium; small salary. Please give full particulars.—Box 439.

UNIVERSITY COLLEGE OF THE GOLD COAST

Applications are invited for the following appointments in the Registrar's Office:

(a) Assistant Chief Accountant.

(b) Two Assistant Registrars.

For (a) candidates must be professionally qualified accountants, for (b) they must be graduates. Salary (a) £1,700 p.a. (b) £950 p.a.—£1,600 p.a. according to qualifications and experience. Allowance £100 p.a. per child (max. £500 p.a.). Outfit allowance £60. F.S.S.U. Passages for appointee, wife and maximum of 5 children on appointment, normal termination and leave. Part furnished accommodation at rent not exceeding 7.5 per cent of salary. Detailed applications (6 copies) naming 3 referees by June 30, 1956, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1 from whom further particulars may be obtained.

THE METAL INDUSTRIES GROUP OF COMPANIES

invite applications for the following appointments:—

CHIEF ACCOUNTANT: The successful applicant will be responsible to the Board for the supervision and control of Subsidiary Companies accounting procedure, the preparation and interpretation of Group financial budget statements and consolidated Accounts, controlling Group expenditure and carrying out the financial policy laid down by the Board, preparing special financial reports and statistics, preparing Group Profit Taxation Computations and advising Subsidiary Companies on taxation matters. Knowledge of budgetary control and standard costing procedure would be desirable. Initially the Chief Accountant will operate from Glasgow, but will be located ultimately in London. He will be expected to pay periodic visits to Subsidiary Companies in Scotland and England. The post will carry a salary of the order of £3,000 per annum. Applicants should be members of the Institute of Chartered Accountants or one of the other principal recognised accountancy bodies.

SECRETARY: Duties will include carrying out legal responsibilities under the Companies Act 1948, preparation of all Board Meeting documents and attendance at Board Meetings, supervision of Registration Department, Pension Funds and insurance of all Group Companies and plants in collaboration with Insurance Brokers. The Secretary will be located in London and the post will carry a salary of the order of £2,500 per annum.

Applicants for the foregoing posts should be between 35 and 45 years of age.

The Company has a contributory pension scheme in operation.

Applications in writing, giving details of education, age and past experience, should be addressed to Sir Charles Westlake, Chairman, Metal Industries Limited, Universal House 60 Buckingham Palace Road, London, S.W.1, under Private and Confidential cover.

PRODUCTION ENGINEER required for Senior Appointment with leading Motor Car Manufacturers, to be responsible for Controlling Production Planning, Machine Tool Specification, Jig, Tool and Gauge Design, and Plant Layout.

Applicants must prove a successful record in a similar capacity, and should not be over 45 years of age. Only those with experience of Modern Machine Techniques, Assembly and Layout, and of managing a large staff need apply.

The position is superannuated, carries substantial remuneration, and presents first-class opportunities for advancement.

Applications will be treated in strict confidence, should contain full particulars, and be addressed to Box E.296, c/o 191 Gresham House, E.C.2.

BOURNVILLE VILLAGE TRUST require a successor to present head of Accounts Department who will retire within the next three years or so. Applicants should have experience of accounting and company finance and property management most desirable. Must be prepared to take an interest in the estate. Fuller particulars will be sent if required. Apply, stating age, experience and salary required, to Secretary and Manager, Estate Office, Weoley Park Road, Birmingham, 29.

WOMEN GRADUATES, aged 25-28, wishing to make a career in industry, are invited to apply for a vacancy at the headquarters of an expanding company in pleasant Thames Valley area within easy reach of London. Initially, the duties of the successful candidate will be in the Personnel Department, and the commencing salary will be up to £650. Apply, giving full details of age, education and experience.—Box 446.

JUNIOR RESEARCH EXECUTIVES, female, aged 21-26 years, required by expanding Research Department of an International Advertising Agency. Research experience and/or social science qualifications an advantage, but not essential. Salary not less than £425. Apply in fullest detail to Director of Research, McCann-Erickson Advertising Ltd., Brettenham House, Lancaster Place, London, W.C.2.

MARKET RESEARCH. A number of appointments are to be made in the expanding Consumer and Retail Research Unit of a large industrial company in the provinces. The work is of a new and interesting nature and there will be opportunities to contribute to all aspects of it. Essential requirements are a good academic background in Economics or Sociology and wide experience of consumer research. Candidates should be in industry. Starting salaries will be assessed in each case on qualifications and experience offered. In certain circumstances houses to rent will be available locally. Applications should be sent as possible, to the undersigned in strict confidence.—Box 442.

The Economist: Annual Air Subscription Rates

Australia: £8.5s. (sterling)
Canada: \$21.50 or £7.14s.
East Africa: £5.5s.
Egypt: £5.5s.
Europe (except Poland): £4.15s.

Gibraltar, Malta: £3.15s.
Hongkong: £7
India, Ceylon: £6
Iran: £6
Iraq: £6
Israel: £6

Japan: £9
Malaya: £6.15s.
New Zealand: £9 (sterling)
Nigeria, Gold Coast: £5.5s.
Pakistan: £6

Rhodesia (N. & S.): £5.10s.
S. America and W. Indies: £7.15
Sudan: £5.10s.
Union of S. Africa: £5.10s.
U.S.A.: \$21.50 or £7.14s.

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COMMERCIAL AND OFFICE MANAGER required by Engineering Company near London in Hertfordshire. The position requires the control of the office of a rapidly expanding company and includes buying. There is very considerable scope. Previous experience in a similar capacity an advantage. Please write Box 441.

A VERY well-known Company manufacturing canned food invites applications for an important executive appointment at top management level, to take charge of raw materials buying on a world-wide basis. The successful candidate will be one who has very extensive experience in the buying of meat and/or cereals on an international scale and who has proven ability in seeking out and opening up new sources of supply. A knowledge of statistics and their application to forecasting is desirable, as well as acquaintance with methods of handling, refrigeration and storage of meats. This is a most important appointment that will involve negotiation of large scale contracts at top level all over the world, and will involve considerable travel overseas. The initial salary is of secondary importance to securing the right man but a figure not less than £5,000 per annum will be paid, together with exceptional additional benefits including contributory Pension, Life Assurance, etc. The Company's employees are aware of this advertisement. Applications, giving a chronological summary of education, career and qualifications should be addressed to Box 427, marked "Confidential to Managing Director."

SUCCESSFUL TUITION FOR THE B.Sc.(ECON.) DEGREE

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THE ALEXANDRIA WATER COMPANY LIMITED

Alexandria, Egypt
ANNUAL GENERAL MEETING
NOTICE IS HEREBY GIVEN that the seventy-eighth Ordinary General Meeting of the shareholders to be held at the Company's Offices, 61 Avenue Foad 1er, Alexandria, on Wednesday, June 27, 1956, at five o'clock in the afternoon for the transaction of the ordinary business of the Company, pursuant to Act of Parliament, and to consider and vote on the resolution proposed in the shareholders' resolutions to be presented for approval or to be represented at the Meeting must deposit their share warrants in London before June 13, 1956, or in Alexandria before June 24, 1956, until after the Meeting at the Midland Bank Limited Overseas Branch, 122 Old Broad Street, London, E.C.2, or at the National Bank of Egypt, Alexandria, or at some other approved bank in London or Alexandria.

A Member of the Company is entitled to appoint a proxy to attend and vote at the Meeting in his stead and any proxy so appointed need not be a Member of the Company.

Dated, Alexandria, Egypt, June 1, 1956.
By Order of the Board,
ALEX. L. BENACHI,
Chairman and Administrateur-Délégué.

PUSHKIN CLUB, 24 Kensington Park Gardens, W.11, Park 7379. June 15th, 8 p.m. Edward Crankshaw, Russia, Today.

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28 JUL 1956

JUNE 16, 1956

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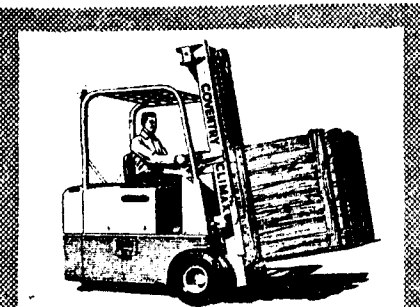
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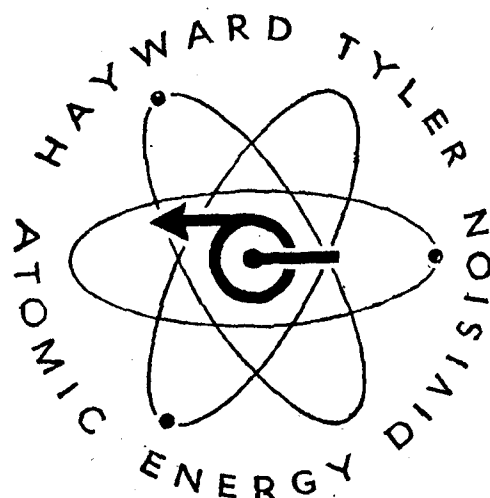
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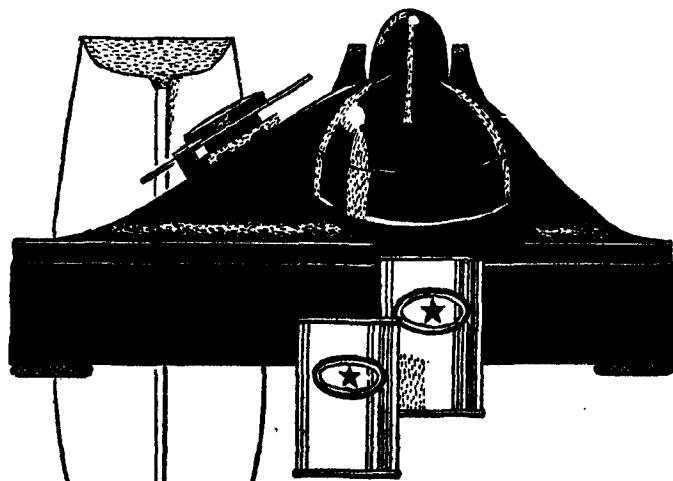
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THE ECONOMIST, JUNE 16, 1956



"The contents of a gentleman's cellar should include at least a bottle or two of

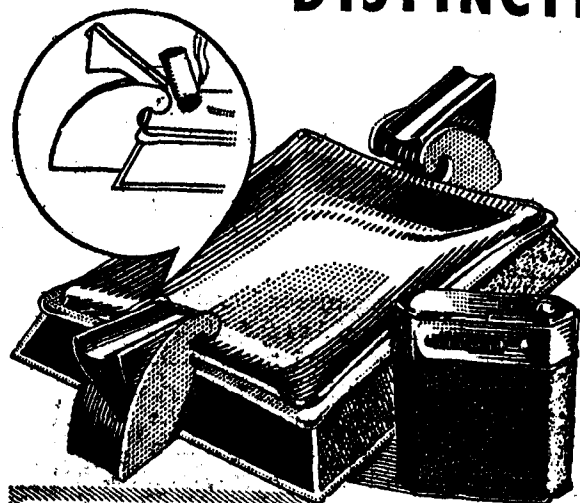
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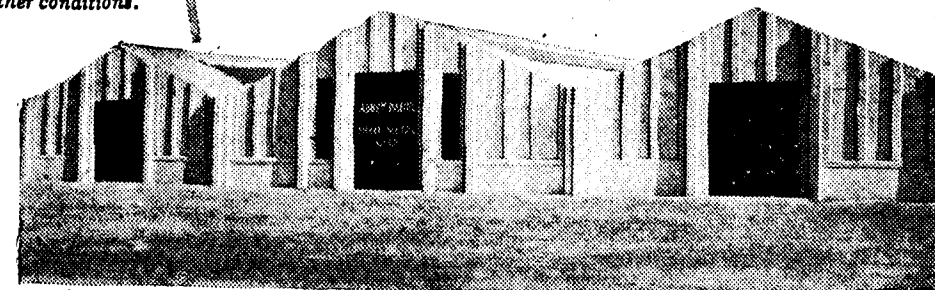
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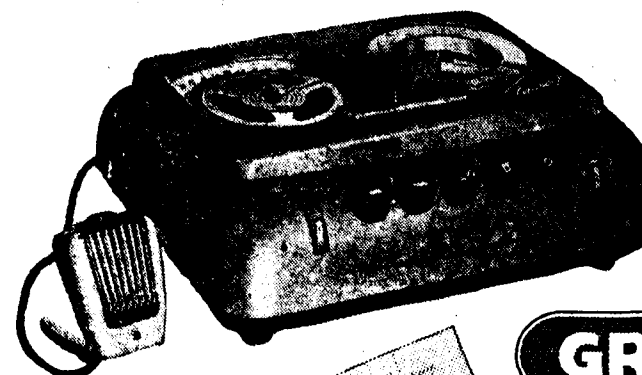
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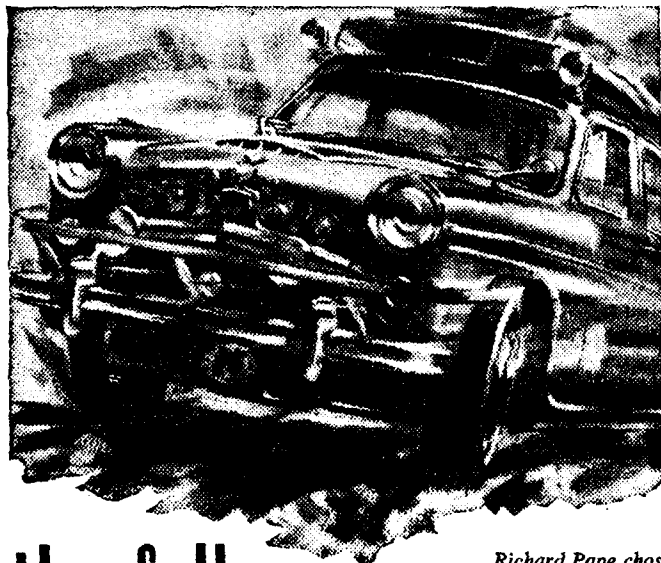
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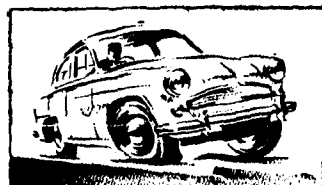
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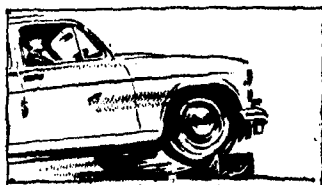
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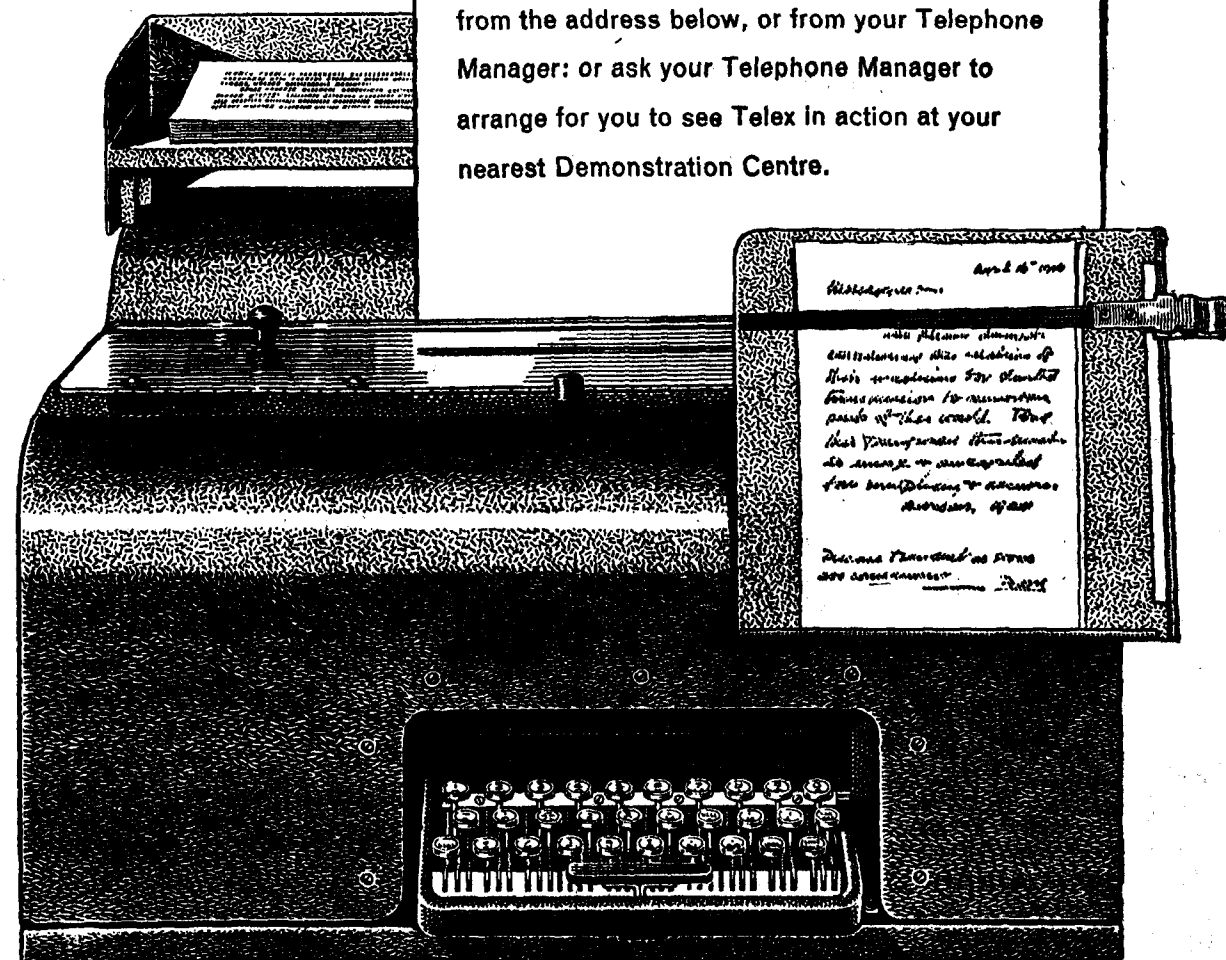
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for
the
Chairman

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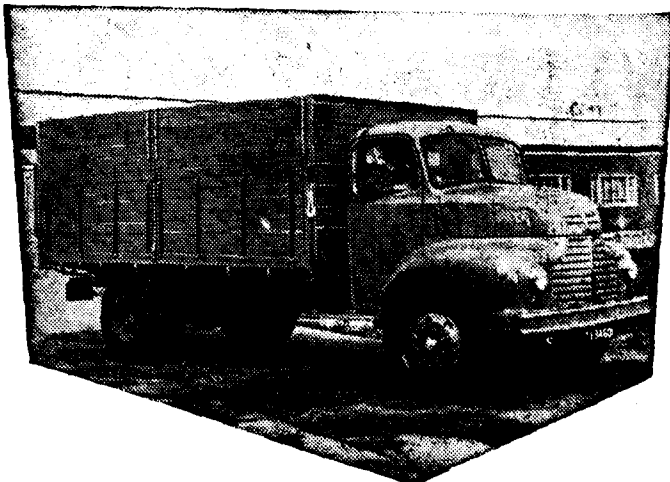
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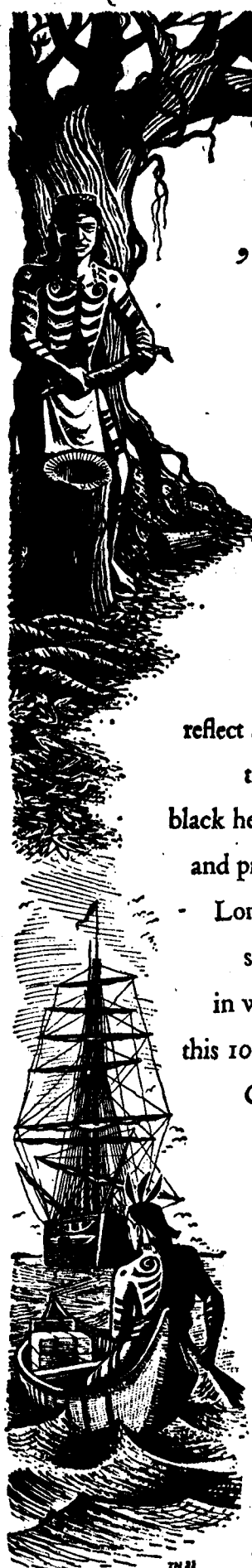
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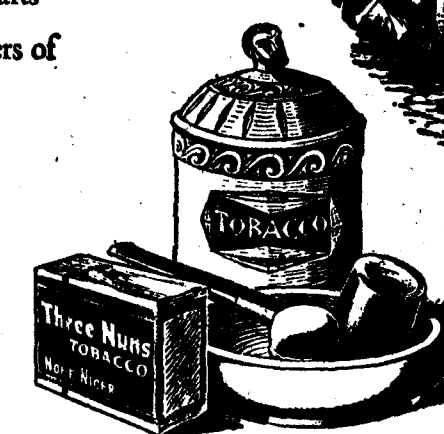
As the comforting clouds of Three Nuns Tobacco float lazily into the realms of remembered pleasures, reflect awhile on the nature of this fine tobacco. In the discs you'll remember the dark centres—the black heart of Perique, added by an expert hand to enrich and prolong your enjoyment of each ounce of Three Nuns.

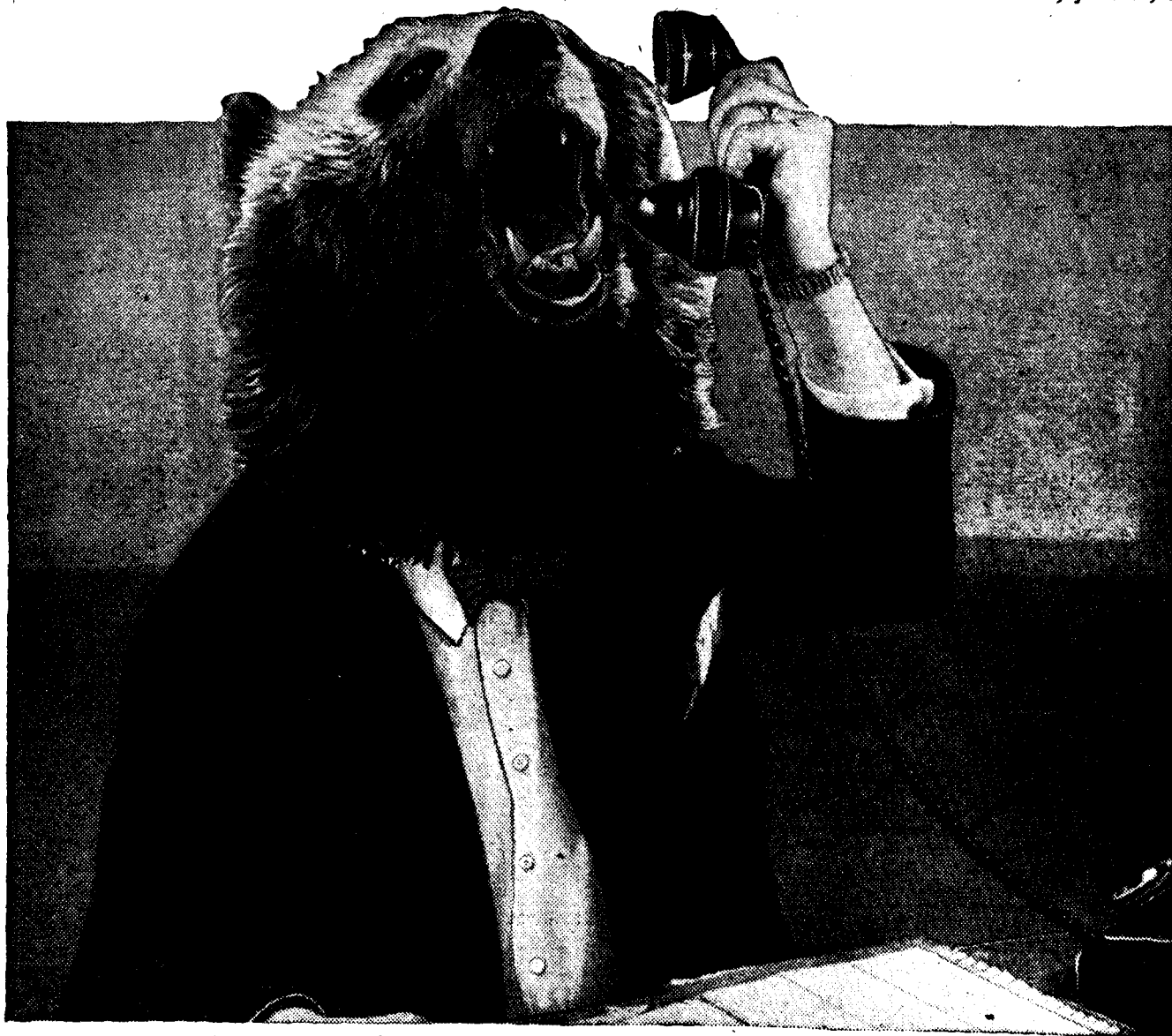
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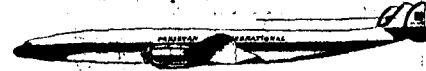
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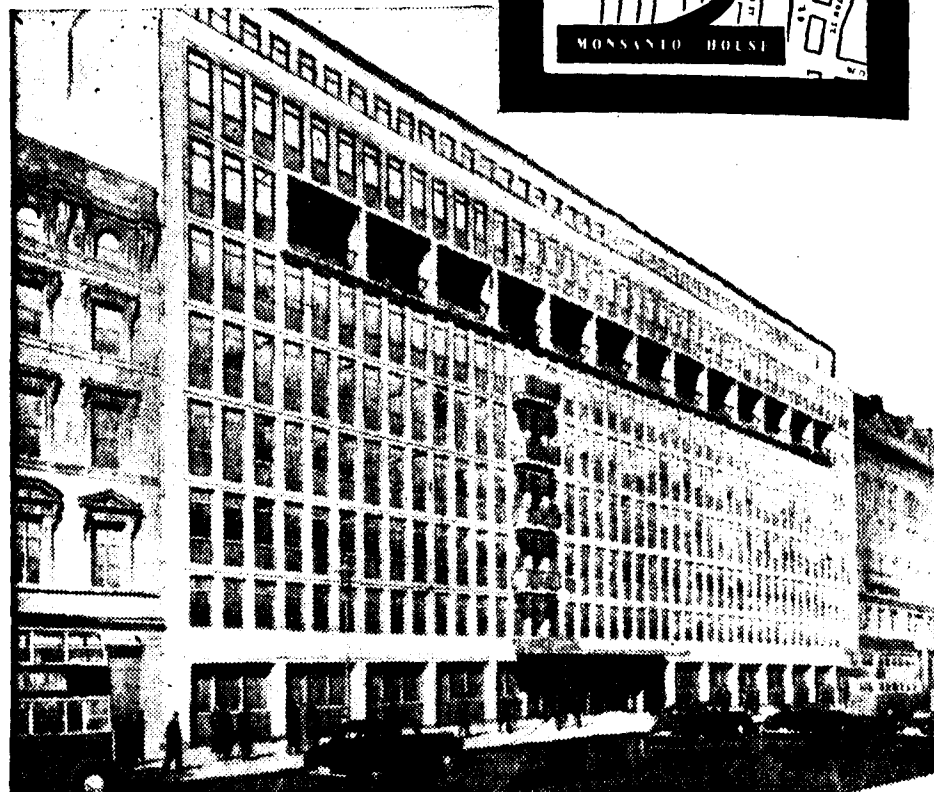
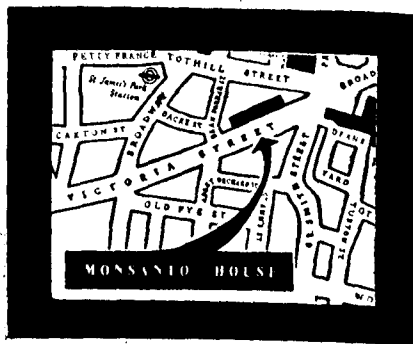
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The Economist

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ONE SHILLING

Back Again

Heirs of Stalin

1938-1956: A Retrospect

By Geoffrey Crowther

The Expanding Commonwealth

Clouds over the Motor Industry

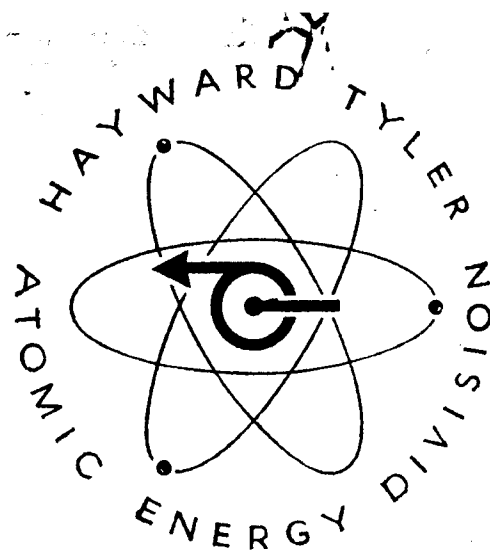
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THE WORLD OVERSEAS: The Little Sisters of Saint-Paul

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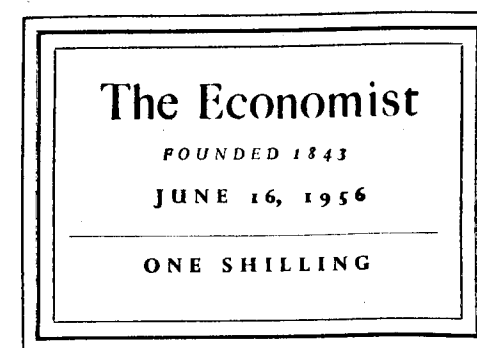
Pumps for Atomic Energy

High pressure circulating pumps that never leak, yet run for years without maintenance, are now a reality. They have been designed and developed by Hayward Tyler & Company Limited during the past fifteen years and since 1945 their performance has been proved on La Mont boiler installations.

Such pumps are of special interest to engineers in the Atomic Energy industries where the twin merits, zero-leakage and reliability, are vital.

HAYWARD TYLER

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Cast Out Conservatism 1069
Nasser's Two Voices 1071
Naval Bases? 1073
Students on the Red Carpet 1074

NOTES OF THE WEEK

Immorality Play; After Mr Marshall; Phlegm in Latin Throats; After Tonbridge; The Unseen Cloud; Sir Anthony's Bikini; The Price of Security; The Deported Priest; Disarming Slogans; Argentina's Glut of Colonels; The Freeze Begins at Home; Army in Slums; On Not Annoying Councils; Blot on Japan's Hansard; Barriers for Books; Blueprint for Somaliland; Italian Parties Still Apart; What is Truth in Turkey?; How Civil a Service?; Pruning a Crown Privilege. 1076

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Cast Out Conservatism

THERE is a great deal of public confusion about Britain's present economic predicament, and Ministers' speeches have done something to make it even worse confounded. They have themselves partly to blame that criticism of their basic policies seems to be reaching a new pitch of muddle; and behind this criticism there are signs of a dangerous reversion in some people's thinking away from expansionism towards an old-fashioned and protective conservatism, clamouring timidly for a policy of re-imposing certain physical controls. It will be useful if every partisan in this debate pauses for a moment to try to get the basic facts of the present situation straight.

There are four salient points about the present state of the balance of payments and the present standing of sterling. *First*, Britain itself has almost certainly succeeded in turning its former external deficit (£103 million last year) into a moderate current surplus; the visible trade figures in the first five months of this year were at an annual rate some £240 million better than their monthly average last year, and receipts from "invisible" transactions, especially the net income of British oil companies overseas, have almost certainly also improved. Although one reason for this turn-round in visible trade is that disinflation is successfully diverting some production to export, another seems to be that British industry is being more economical in its stock-holdings of many imported raw materials. Last year, largely because industrialists felt that raw material prices were likely to rise as America pulled out of its recession, Britain ran up its stocks by some £350 million; this year, partly because some industrialists feel that raw material prices may be going to fall if America slides into some degree of recession, Britain may not run up its stocks at all.

Secondly, and as a result of this caution in commodity markets, the trading balance of the overseas sterling area has now plainly begun to deteriorate; although the central gold reserves have increased every month this year, thanks mainly to Britain's own trade surplus, the rate of increase since March has been slackening. It is possible that the worst effects of the overseas sterling area's troubles have yet to be felt, in the customary season of summer strain immediately ahead.

Thirdly, there has unfortunately been some renewal of speculation against the pound. This has been prompted partly by the troubles of the overseas sterling area, partly by foreigners' belief that costs (especially wages) in Britain are going to go on rising faster than costs in other countries, and partly by the fact that Ministerial speeches that were designed to scare British trade unions into moderation have scared Zurich bankers into speculation instead. The strength of this speculation, in the months immediately ahead, may depend mainly on whether these onlookers are more impressed by a possibly continuing improvement in Britain's own trading balance or by a possibly continuing deterioration in the whole sterling area's monthly gold reserve figures. At the moment, reason seems to be on the side of the

moderate optimist—but only provided that American buying of raw materials does not go really sour.

Fourthly, although this may be a matter more for the medium term than the very short term, Britain's own trade surplus—and, eventually, the exchange rate of the pound—cannot be maintained if Britain's wage costs per unit of output continue to rise much more swiftly than equivalent costs in America, Germany and our other industrial competitors. In one part of its attempt to damp down this winter's round of wage bargaining, the Government has already failed: the trade unions are clearly going to present as large claims as ever. But it is not so certain that claims will be granted: that will depend on whether employers are kept sufficiently short of money to reject the unions' demands, even at the cost of possible strikes.

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That seems to be a fair summary of the present situation. Can partisans of both sides perhaps accept it? Discussion can then turn to consideration of the policies that ought to be adopted in the various contingencies that might now arise.

The worst of these contingencies would clearly be if, under the shadow of a widening gap in the overseas sterling area's accounts and possibly also of some sort of American recession, there was a real run on the gold reserves this summer and autumn. In that—at the moment unlikely—event, there would be an intensification of present demands by conservatives on both sides of the House that the hatches should be battened down and various sorts of spending directly controlled. But how? The physical control most frequently called for, and which Mr Macmillan said this week that he would like to have the power in reserve to impose, is a restoration of licensing restrictions on "inessential" commercial building. The arguments for this are presumably that it sounds politically attractive, and that a fair proportion of the money held back from commercial building (in contrast to the money that could be held back by most other forms of rationing) might possibly be saved instead of merely diverted to chasing after other resources. But the sums now being spent on "inessential" building are derisory, the impact of control would be inconveniently localised (mainly in central London), and any ban on new commercial projects now would not have its main effect on the use of steel (or of money) for another eighteen months and more. As a supposed remedy for a sudden sterling area crisis, this prescription has about as much relevance as the very slow unfurling of a very small and leaky umbrella in a hurricane belt.

The other control recommended by the conservative planners (whether Labour or Conservative in the reference books) is import licensing. In a grave dollar crisis and American recession, there might be some case *in extremis* for discriminatory controls on dollar imports. But they, too, would take a long time to come

into effect, and they could be contemplated only as a last resort. General import controls, of course, would be an actual impediment to the problems of a sterling area crisis. Any new licensing of imports now would merely divert British purchasing power from them to British goods that ought to be exported; they would invite—and get—retaliation from customer countries; and they would commit Britain still more firmly to a policy of not buying raw materials when they are cheap, in order to stock up with them once they have become dear again. Britain's policy in any American recession should clearly be to keep the channels of non-dollar trade as wide open as possible, instead of joining in a sad scramble with other affected countries to put on restrictions against each other's "inessential" trade.

For the other ill contingency that needs to be guarded against—the possibility of another extravagant round of wage increases this winter—physical controls are clearly quite beside the point. Not even the controllers pretend that restrictions on the use of money for buying imports would lead to there being less money about. Indeed, those who pretend that they disbelieve in the efficiency of Bank rate for this purpose are really, as Sir Oscar Hobson has put it, showing that "they believe in it so much that they funk its consequences." The debate here, therefore, merges into contemplation of the third and most vexing contingency. If the Government manages to avert the worst this year with the weapons it is already using, can it also be sure that those weapons are well-fitted to cope with the not-so-profitable best?

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It is, on balance, this not-so-profitable best that now seems the most likely outcome for 1956. Unless something goes very wrong in the overseas sterling area and provided that wage increases granted this winter are a little less voracious than those granted in late 1955 and early 1956, Britain seems likely to end the year with a moderate balance-of-payments surplus—but at two probable costs. One of these costs is that British industry may have run down its stocks, and be obliged to re-accumulate them next year when (if the apprehended American recession passes like a summer's day) prices may well be higher. The other cost is that it is almost certain that production will have lagged on its upward way this year. It is very doubtful whether gross national product will rise by more than about £200 million in 1956, against the accretion of £500 to £600 million that we should aim to get in a good year. At best, we may find that we have bought stability this year at the cost of £300 to £400 million worth of desirable things that we would otherwise have produced and enjoyed.

As a once-for-all price, this might be well worth while; indeed, given previous failings in the containment of inflation, it is a price that had to be paid. But as a continuing policy, it is a counsel of stagnation. The task next year, if all goes well this year, should

be to re-stimulate production—without at the same time re-stimulating a balance-of-payments crisis and another extravagant bout of wage demands. There is a flat contradiction between any such task and a restoration of building and import controls. You do not stimulate production by laying down that there are certain profitable things that some controller will not allow industry to produce. And experience in 1945-52 should finally have dispelled any intelligent planner's suspicion that re-stimulation of production can be achieved with greater economy in the use of imported materials by a system of licences and allocations. The main consequence of allocations then was to redistribute stocks to the disadvantage of businesses that were otherwise particularly well placed to increase production; while declining businesses had all the raw materials they wanted, their more go-ahead competitors found themselves continually in danger of exceeding the raw material quotas that had been set for them by their performance in some base period of lower output. The willingness of expanding concerns to plan for increased production once they felt confident that they could always get the raw materials they wanted was the major lesson of the relatively halcyon years from late 1952 until 1955.

The need, therefore, is surely to stand by the policies of 1952-55, but with one amendment. The amendment

Nasser's Two Voices

FROM Russia to Ruritania, the Birthday of the Revolution is a great day for parades, fireworks and changes in the constitution. Next Saturday Egypt is providing the full programme. Its military *junta* is to dissolve itself, after choosing a president of the republic. ("Nasser for President!" is a foregone conclusion.) Its electorate, newly registered this year, is to accept or reject a new constitution. Later, a nebulous body called the National Union, picked from among the right-minded, is to choose a corporative National Assembly; this will have powers to criticise but not to initiate legislation.

When sceptics enquire whether this new paper pattern will make any difference to present arrangements, they usually mean: will it impose any checks and balances on military rule? A much more interesting question is whether it will give Colonel Nasser personally any greater control of policy than he has ventured to assume hitherto. For up till now he has spoken with two voices so discordant that it is only charitable to deduce that he has never yet been supreme—that he has been ruling by committee, and has often been ruled by it. Otherwise, how can one reconcile the balanced expositions uttered inside his study to visitor after visitor with the stream of irresponsible demagoguery that issues most, though not all, of the time

is that if expansion goes off the rails, either through an excessive increase in costs or through balance-of-payments troubles, the Government needs to be able to pull back inflation more swiftly and with less interruption to the forward march. The experience of the last year has suggested that there are two time lags to be considered here. One is the time lag between a change in policy and the impact of that change upon the economy. This lag has been exaggerated in recent discussion. The fault from late 1954 onwards did not lie so much in the slowness of Bank rate's operation as in delay and timidity in putting it into effect. The second, and more important, lag is between the damping down of demand when monetary or fiscal policy finally does take effect and the movement of resources into expanding industries. When excess demand is removed, the workers who have been producing the things that are no longer wanted should be freed to produce things that still are; at the moment, however, they tend to be kept at their old jobs, but on a four-day week. The problem, in other words, is one of mobility. It is about this, and not about the initial weapons of disinflation, that new thinking is clearly required; there is an urgent need to cast out conservatism here as well. But the subject cannot be dealt with at the tag-end of a long article. It is hoped to devote a separate article to it in *The Economist* next week.

from *al Goumhouriya*, the government newspaper, and from Cairo radio?

The control that he has never assumed at home has also been lacking in foreign policy. Admittedly, first appearances are all to the contrary. Colonel Nasser looks like a leader because, nearly everywhere in the Levant and Arabia, he is hailed as a hero for a number of personal feats. He is acclaimed, first, for asserting the right of all peoples to be masters in their own lands by bringing British occupation to an end; next, as a champion of neutrality; next, as the eliminator of a parasitic aristocracy; and, lastly, as a soldier captaining the one army that looks strong enough to frighten Israel. Egypt's very considerable repertory of publicity channels—its export of films, glossy magazines and sophisticated schoolmasters—all add to the impression that Colonel Nasser is paramount. Yet closer scrutiny reveals the conclusion to be false, or anyway premature. He leads only when he says what his allies want to hear, and therefore leads them, like the Duke of Plaza Toro, from behind.

Abroad as at home, Colonel Nasser is handicapped by the discordance of his two voices. If he wants what the sober voice says he wants—a period of tranquillity in which to bring better living standards to the Egyptian people—then his radio voice is defeating his purpose.

He is caught in a paradox. He needs a quiet life in order to develop his plans—for the high dam or for industrialisation in order to absorb the rising tide of population; but he is not getting it because his second voice stimulates disquiet—political disquiet abroad to-day, social disquiet abroad and at home tomorrow.

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This judgment is best amplified by analysing two samples of his policy—his professed creed of neutralism, and his attitude to war with Israel. Neither at home nor abroad is he as “neutral” as Mr Nehru. At home, Mr Nehru plans a place in the community for Muslims, whereas Colonel Nasser looks like denying one to the Copts; abroad, Mr Nehru aspires to judge on their merits the respective approaches of the western world and Russia, whereas Colonel Nasser, when using his second voice, succumbs to the current Arab predisposition to condemn the one and extol the other indiscriminately. Arabs like to hear this refrain; being of the race of doubting Thomas, they believe only what they have seen, and easily accept the tale that withdrawing westerners are vile imperialists, whereas the up-and-coming Russians are not. (The bias is such that even Soviet gestures towards Israel are quickly forgotten, whereas each western one is engraved as a fresh score on a long black record.) The targets of neutralism are a middle course and a life of tranquillity; yet to all appearances Cairo is ranging wide of both. Its radio, strays so far off course as to encourage several different fomenters of unrest—communists, parochial Saudis who pursue the narrow objective of worsting fellow kings on Hashemite thrones, and embryo Syrian Napoleons who dream of the fruits of upheaval.

To a western eye, the Egyptian attitude towards another Palestine war seems equally liable to slip out of the control of the helmsman. In the quiet of his study, Colonel Nasser does not want a war. He is a soldier, with battle experience and capable of shrewd military appraisal; he knows that he has allies who are militarily weak, that his own army is imperfectly trained in the use of its weapons, and that if war broke out, the Arabs could easily lose it. Yet Egypt's second voice, apparently unchecked, utters just the kind of battle cries that invite over-confident Syrians to open fire or disgruntled Palestinians to start the rebellion inside Jordan that would prompt intrusion, first by Arab neighbours and then by Israel, bent on a share of the fragments. A combination of assurances to Mr. Hammarskjöld with shouts of “tally-ho!” to discontented Jordanians is a policy too illogical to have emerged from the mind of any one statesman.

The importance of next week's changes, therefore, is the chance they afford Colonel Nasser to take full charge for the first time. His moment of decision is at hand. The choice is between the leadership on the cheap that is won by pandering to public taste but yields no hold over events, and on the other hand the uphill job of

telling home truths that listeners may not like to hear, but without understanding of which there can be no constructive results at home and none of that consistency of purpose that offers the only hope of real neutrality. If he wants the free world to accept his neutralism, he must recognise that a voice intended to stimulate disorder in the Middle East cannot fail to be anti-British and anti-western, and therefore pro-Soviet and pro-Communist.

For weeks, perhaps even months, to come it may be difficult to judge which choice Colonel Nasser is making. His habit is to feel his way slowly. One criterion will be the appointments that he makes to the cabinet posts of the new regime—whether his choice falls on firebrands from the *junta* or on the several sober men, civilian as well as military, who would be ready to serve a constructive dictator. All that is certain, until he has been tested in his new role, is that if he continues to waver between incompatible utterances he will alienate many foreigners who began by admiring his courage, but who feel less and less sure what he really wants.

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As if to mark that the choice is Colonel Nasser's alone, and that no old-style western pressure is being sought, or is desirable, the last British soldier, true to promise and more than punctually, has left Egyptian soil this week. Even so, it would be misleading to suggest that any such choice can be made in a vacuum and without regard to other people's policies. In the eighteen months since the British promise to quit was given, Egypt has been swayed this way and that both by Soviet and by British policy. It has been attracted by well phrased protestations that neutralism is all the Soviet Union expects of new acquaintances; equally, it has been repelled by the familiar British propensity to angle for bases in ways that suggest that old occupiers are for ever up to new tricks. (According to Arab reasoning, there can be no other explanation of a search for allies among countries militarily so weak that, were atomic war to rage, their only significance would be as a field of fire.)

These Egyptian notions about both Russia and Britain may be illusory, but they are deeply embedded; and they will survive as long as the West is swimming against the tide of local opinion on neutralism, whereas Russia is swimming with it. They are the more serious because they lead minds astray, not only in Egypt, but in the very considerable Arab area in which Cairo is incontestably the greatest influence today. Unless some method of countering them is devised, they will continue to blind Middle Eastern eyes to the need for a would-be neutral to keep some of its links with old acquaintances unless it is to drift willy-nilly into the orbit of the new tempter. Can President Nasser bring home a point that Colonel Nasser has failed to carry? If so, he will have started to tackle his problem of control.

Naval Bases?

THE foxes have their holes; but can the British navy rely on having the bases which it wants across the world? It is not the purpose of this article to open again the question of the kind of navy required for modern warfare, still less to ask, as some contumacious airmen and other folk do, whether a navy is required at all. For the purposes of the present argument the role of the navy as spelled out in a series of defence White Papers can be taken for granted. The question then is twofold: what bases does the navy need and what prospects are there of it having them in the years immediately ahead?

It should be said at once that this problem of bases is not peculiar either to the navy or to Britain. The need for wide-flung airbases and staging posts is vital for western defence; and, as a Note this week in our American Survey shows again, the cutting edge of the deterrent air power of the United States rests crucially at present upon the assured use of forward bases upon foreign soil. The issue of British naval bases is singled out in this article, however, because it is being given special urgency by the accelerated transformation (or, as some would say, disintegration) of the remaining parts of the British Empire which have hitherto given shelter to the British fleet.

The possession of naval or indeed any military bases on islands or in enclaves under undisputed British sovereignty is progressively harder to maintain. Only in Malta have proposals for integration with the United Kingdom offered any reconciliation between colonial desires for enhanced status and the navy's needs. No such reconciliation is yet in sight for Singapore or Aden. Hong Kong is held on sufferance from the Chinese. Gibraltar may not be held on sufferance from Spain, but its value is clearly reduced by its being a bone of contention between the two countries. And, as the problem of reconciling the “self-determination” of colonies with the need to secure a string of naval (and air) bases between Britain and Australasia grows more acute, the weakness of the arrangements made with some of the independent members of the Commonwealth, for Trincomalee in Ceylon and even Simonstown in South Africa, is beginning to appear.

Is it necessary, indeed is it possible, to isolate a class of “strategic colony” which must be kept under British control indefinitely to maintain the network of bases? If Britain without dependencies is to maintain naval offices in every ocean, can base facilities be secured in some other way?

The role of the navy, as defined in the White Papers, is, like that of the other services, to play its part in winning (i) the cold war and (ii) any limited or “warm” wars that may break out and, if the worst comes to the worst, in waging (iii) the incalculable global or hot war. In cold war, the navy's part ranges from “showing the flag” to being a *présence*

Britannique on any disturbed coast; any warship off a coast is *ipso facto* a small British base of sorts; and an aircraft carrier is both a sea and an air base. Naval power remains the key to western ability to send out a “fire brigade” to all parts of the globe; the lesson of Korea shows that. The argument that simply says “naval bases are no use anyway as they are so vulnerable to thermo-nuclear bombs” is shortsighted. Bases are intended to support the deterrent to action that might lead to such an all-out conflict.

This is not, of course, the role of any one navy alone. It is essentially the joint task of the combined naval forces of the West, and in these the American fleets are predominant. Britain today needs not a navy to command the seas it needs, but one to carry out its share in securing command of the sea for the western allies.

The United States possesses no such “colonial” bases as Malta or Singapore outside the Pacific; it uses (i) Nato bases; (ii) leased bases, and (iii) it minimises its dependence on any but American home bases by a large “fleet train” of repair, store and refuelling vessels. Such adaptations to the baseless fabric of the Commonwealth-to-be are no doubt within the power of the Royal Navy; indeed the Americans are known to be critical of British dependence on a “short-legged” navy as compared with their own concept of a “long-legged” navy. But before this is assumed to be the complete answer to British colonial difficulties, the matter must be gone into further.

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In the first place, British bases are part of the Anglo-American web of sea-power; the Americans take them for granted. They assume that Singapore will be denied to the Communist powers; and they assume that from Aden or Cyprus, Mombasa or elsewhere naval power will be exerted to preserve Middle East oil. Because Britain has the existing colonial bases, the British navy's share in the western naval task is that which can be contributed by ships operating from these bases. Nato naval bases are poorly located to influence either the Middle East or south-east Asia.

The next and, practically, perhaps the all-important point is that a “long-legged” navy is an expensive substitute for a “short-legged” one, whose well-spaced string of bases confers on it greater mobility and gives it therefore greater economy in the use of ships and men. A naval base has four functions: (i) it provides storage for fuel, ammunition, provisions and supplies; (ii) it offers facilities for resting and training crews between cruises; (iii) it possesses, on a greater or less scale (according to whether it is a fleet main base or a forward base) facilities for docking, repairs and maintenance, and (iv) it is a command

centre, where the use of naval forces for any contingency is planned and organised. The fourth function is not easy to organise in a "leased" base; a measure of sovereignty or alliance seems necessary for it. Commercial ports, vital in war, cannot provide normal base facilities.

To state the functions of bases is thus to review the difficulties of doing without them. While oil-fired ships can stay at sea for very long periods, and new metal alloys and other devices have lengthened the periods they can stay at sea before careening is necessary, they must frequently return to base to rest personnel and to overhaul the increasingly complex equipment they carry. The fleet train can only undertake minor repair jobs; refitting needs a naval dockyard. This means simply that a long-legged navy, operating far from its dockyards with the aid of a fleet train, usually needs twice the number of ships to do the tasks of ships based on a string of overseas bases. The US sixth fleet rotates to its home bases every six months, which at least doubles the ships needed and perhaps far more than doubles the number of men. Bases, in short, economise in ships and men.

It is this which, apart from strategic factors, explains the Admiralty's anxiety to hold Malta and Singapore as main fleet bases, notwithstanding their well-known disadvantages. The existing string of colonial bases enormously cheapens (or conceals the real cost of) the work now performed by the navy. The cost of holding a base has to be set against the cost in ships

and fleet trains of doing without it or possibly of building alternative bases in safer areas (Mombasa might be developed, at immense cost, to compensate for losing Trincomalee and Aden; even at an almost prohibitive cost, however, no new Australian naval base could fully offset the loss of Singapore). The loss of a base is the equivalent of losing many ships.

The navy cannot be blamed for pressing its case for bases when "strategic colonies" move towards independence. But it can say, and should be asked to say, what is the minimum number of bases it needs between Britain and Australia. Thus, while there would be no sense in giving up Hong Kong before it is necessary, it is clearly not an essential forward fleet base. A reasoned review suggests that the navy, with its present assignment, and as it is now constituted—largely with obsolescent ships—needs Malta and Singapore as main fleet bases, and if deprived of Aden would need forward base facilities at Mombasa.

Even such a minimum would, however, require "longer legs"; and if in the future the navy could absolutely count on none but home, Nato and Australian bases, the need for an immensely costly long-range navy with large fleet trains would become imperative. Nothing short of a radical revision of the navy's role can alter this reckoning. And the world-wide provision of sufficient and safe air bases, which will be discussed in a further article soon in *The Economist*, largely turns upon a similar calculation of relative range and cost.

Students on the Red Carpet

ONE evening last week Platform 3 at Euston station was black with Africans. Several hundred people from Nigeria and the Gold Coast were waiting to greet 120 of their compatriots who had disembarked that morning at Liverpool. There was, however, one little group of white people: the Director General of the British Council and some of his senior staff were there to meet the twenty-thousandth colonial student whom the council has welcomed to this country—a beaming Nigerian, splendid in a long white robe.

Ever since 1950, when it took over this work from the Colonial Office, the British Council has been helping students through the bewildering confusion of their first hours in Britain. Its couriers are at the ports and airports, armed with a list of students whom the colonial authorities have asked them to meet—though they always collect three or four times as many in the end. Rain or fine, frost or heatwave, the chief courier wears the same outfit, on the theory that word has gone round the Empire to look for a man in an ulster and a green hat. He rounds up his flock, checks what and where the students are going to study, whether they are being met and whether they have anywhere to stay. From the terminus in London they are taken to the

British Council's headquarters and thence delivered to their various destinations: some to digs they themselves have arranged; some to catch trains to other parts of the country; some to one of the British Council's three hostels in London; and those who have nowhere to stay to one of the hotels which can be absolutely relied on not to slam the door in a coloured student's face. All are guaranteed a bed for the first night.

This service is valuable both directly and indirectly. A girl from Hong Kong will say confidently that her friends are meeting her; but they meant at Birmingham, and after the crowds have dispersed at St Pancras, there she is forlorn. A young Malayan who thinks that Tilbury is London is advised to cancel the taxi he has booked to take him to Ealing. A deadlock is resolved between a West Indian and a customs official who worried by the powerful smell of rum that pervades his suitcase. It is explained to a frightened Nigerian that all those people rushing off in the same direction are going home after work, not fleeing from the hydrogen bomb.

In such ways the student is saved not only from despair but also from falling into the wrong hands. It has been said—indeed the last Director General said

it himself—that representatives of the Communist party once gathered in force at the ports to pick up students as they came in. There seems little evidence of this today. The party will certainly get to work on a group which may contain the future political leaders of colonial territories, but this is easier to do in students' organisations than it is on Euston station.

Another danger that has been averted (and is now exaggerated) concerns the West Indian nurses. They usually come over on Italian ships which take emigrants to South America, call for them on the way back and deposit them at Genoa. The £75 the girls have scraped together includes a 3rd class rail ticket, but often they have nothing over, and arrive tired, hungry and penniless. The sight of a welcoming West Indian face, even if it belongs to a procurer, can thus be a beautiful thing. Today, when these trains are met by the British Council, the Red Cross, the Church Army, the West Indian Student Unit, and the West Indian Welfare Section (just set up by the Colonial Office to look after people other than students) and the London County Council, there is not much scope for private enterprise, and the police are on the look-out for certain well-known faces in smart cars.

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Not all the students are grateful for this help. The West African, entrenched in his family, is suspicious and stand-offish; the Asian from East Africa may try to throw his weight about. The West Indian girls, in spite of bold reds and shocking pinks and plumes in their hats, are shy and docile. But for poise and assurance one must look to the Far East. A Chinese student from Malaya, for example, will face the complexities of London life with smiling charm and nimble wits, with all the confidence of his ancient civilisation, and often of considerable wealth.

It is not, however, the immediate reaction that matters. The contact so established can usually be maintained. The student will probably be back next day to consult the council's files of willing and suitable landlords. He may attend the "introductory course," which will explain to him some of the strange ways of the British; that the way to have a bath is not to stand in the middle of the bathroom floor and pour jugs of water over your head; that having rented a room you cannot ask eight friends to come and spend the weekend with you there; that when you go shopping you pay the marked price and do not haggle. He may go with parties to visit historic buildings, beauty spots, factories and theatres, and accept some of the many offers of private hospitality which are made to the council. In his first year he can also attend lectures and debates at the council's centre in Hanover Street.

It is not primarily the university students who need these services; they have their own organisations. But university students form only about a third of the 12,000 or so colonial students who are now in the country. Rather more than another third are in technical colleges

or reading for the bar, and the rest are engaged in various other forms of study such as nursing. Some of these latter two-thirds are apt to be bitterly disappointed with Britain. They have been brought up on pictures of Westminster Abbey and the lights of Piccadilly Circus, and on the homesick reminiscences of English teachers. They have arrived here in high excitement, only to find that it is a cold, grey place with cold, grey people. They can spend three years here and see no more of Britain and the British than can be seen between a dreary Victorian boarding house and a dreary Victorian technical college. It is possible, perhaps, to be too sentimental about this. A glittering shop-window in an ugly industrial town will be more exciting to many an African than Tintern Abbey. But this much certainly is true: that it would be better for colonial students not to come at all than that they should go away hating the place.

Many of them do dislike it, if the report published last year by Political and Economic Planning is any guide; and there lies a strong case for extending the welfare services. The British Council needs larger premises for its student centre in London, so that it can take on all students and not merely freshmen. It would be sensible to meet and find accommodation, not only for colonial students, but also for many of the 18,000 other overseas students who may be equally at sea in Britain. In principle it has been agreed to do this, though arrangements with the individual countries have still to be made.

The whole problem, however, cannot be solved by the British Council, even if it can overcome the disadvantages of being short of money and office space and of not being Lord Beaverbrook's favourite organisation. The technical colleges have to recognise (as some do) that their colonial students are a special responsibility. It is no use waiting until a student, as once happened, is suffering from malnutrition as a result of eating nothing but baked beans for three months. It is no use waiting until he has a breakdown (as Africans have more than other students) and then deciding it was because he had not the necessary preliminary knowledge to tackle his course. Some technical colleges already run introductory courses for overseas students, and a recent conference agreed that others should follow. Precept has to be put into practice.

It is important not to expect too much from these services. The ever-increasing influx of colonial students—the annual entry has risen from about 100 in 1939 to 4,650 in 1955—is not stocking the colonies with technologists; the majority of students are working at a low level—such as that of the ordinary national diploma. Nor will the sight of Windsor Castle and tea with a Rotary Club send ecstatic propagandists for Britain back to unstable colonial territories, or necessarily make them feel they would be on the right side in a world struggle. But an inexpensive dose of professional tact and welcome can often save these people's visit here from being one of too bewildering and humiliating discovery.

Notes of the Week

Immorality Play

LAST week's spate of varied pronouncements on neutrality by American leaders needs to be seen against the background of the Administration's fight to get its foreign aid programme through Congress. But, as usual, most newspaper readers in other countries are unlikely to bear this background in mind. For them, the confused record will read somewhat as follows.

On June 6th, Mr Eisenhower recalled that neutralism came naturally to the United States when it was a young nation. He even remarked, during his last press conference before illness again overtook him, that if a "neutral" was attacked it would get general sympathy, while if a country allied to a great power was threatened people would say it had "asked for it." Next day the White House, beset by indignant allied diplomats, explained that the President had never thought that alliance with the United States could bring a country anything but greater security. On the same day Mr Nixon gave warning that uncommitted countries could be neither bribed nor cowed into aligning themselves with America. But on June 9th Mr Dulles declared that "the principle of neutrality which pretends that a nation can best gain safety by being indifferent to the fate of others" was an "increasingly obsolete" and, almost always, an "immoral and shortsighted conception."

Few people will see the full texts of these statements and discover that the President, the Vice-President and the Secretary of State were all hammering away at the need to aid both allied and uncommitted countries without expecting subservience, gratitude or any reward other than the strengthening of freedom. On the other hand, Mr Dulles's ill-chosen adjective "immoral" has already echoed round the world; and how many minds in other countries will be even momentarily crossed by the thought that he was primarily concerned to arouse American taxpayers, not other peoples, to do their international duty?

Ironically, as recently as June 4th Mr Nehru too imputed base motives to "uncommitted" nations—those that seemed indifferent to India's claims on Goa—and demanded that they should take sides in that dispute. It is worth remembering that neutrality is inherently subjective. (Mr. Khrushchev, incidentally, has told M. Pineau that he will tolerate a neutral Germany but not one that is "neutral against Russia.") Neutrality is, moreover, the natural attitude of any society that perceives no danger to itself. An outstanding phenomenon of our time has been the increase in international perception, the awakening to the need for nations to support each other against a threat—military or political—that ultimately threatens all. Nowhere has this awakening been more dramatic than in the United States; nowhere would a retreat from the gates of per-

ception be more disastrous for the world. But one or two emotive or thoughtless words from the President or the Secretary of State, aimed at a domestic audience, can cancel out months of patient effort for international understanding.

After Mr Marshall

MR MARSHALL did his best to erase the impression made during his last hours in London by accompanying his final acts as Chief Minister of Singapore with as big a bang and as small a whimper as possible. Both in the Legislature and in a valedictory broadcast he poured some final salvos into the tatterdemalion imperialism which, in his view, still stands between Singapore and "merdeka." He achieved a final disservice to his own case, however, by raising the temperature of debate to a point at which hostility to Seato itself was openly voiced by the parties most likely to succeed the Labour Front in power. Mr Lim Yew Hock, in taking over as Chief Minister, felt constrained to insist that his is only a caretaker government, and that his policy was to reopen talks with the Colonial Office as soon as possible. It is perhaps significant, and certainly encouraging, that one of his first moves was to make contact with the Chief Minister of the Federation of Malaya.

One course of action is clearly open to Mr Lim. He can seek at once to embody in a further constitutional change, without prejudice to Singapore's stand as stated both by Mr Marshall and by Mr Lee Kuan Yew (leader of the People's Action party), those heads of agreement which were settled in London before the talks broke down over Britain's say in the security of the base and the city-state. He could make a start with plans for full Singapore citizenship, for "Malayanisation" of the civil service, for the raising of local troops, and for internal self-government. But to proceed with the plan for a completely elected cabinet and an enlarged legislature conceded by Mr Lennox-Boyd at the London talks would almost certainly involve Mr Lim in an election, and probably in defeat at the polls. Even Mr Lee Kuan Yew is apparently now less impatient for fresh elections. The PAP evidently wants time to consolidate its political organisation, although Mr Lee and his even more eloquent colleague, Mr Lim Chin Siong, will probably seek to demonstrate without delay, by means of the "Protest Week" and other occasions for rabble-rousing, that they are already the real leaders of Singapore. But there is evidence that Singapore would be grateful for at least a short respite from political fever. There may be a brief interval in which the Colonial Office and the new Chief Minister between them can seize the initiative—although they will have to work fast.

Phlegm in Latin Throats

COMMUNIST editors in the West were placed in a most awkward situation when Mr Khrushchev's "secret speech" was released by the State Department. With no censorship at their disposal, they could not prevent other newspapers from splashing it on their front pages. Were they to follow suit and reveal what was still a secret in Moscow, or should their readers be left to learn the horrid truth from a non-party source, without any mitigating comment? Paradoxically, the Anglo-Saxon *Daily Workers* have chosen to brave it out, while their usually vigorous Latin counterparts—*Unità* and *L'Humanité*—have been prudently silent.

The New York *Daily Worker* actually blamed the Russians for failing to break the news themselves, and thus allowing the State Department to exploit the situation. It criticised Mr Khrushchev for not mentioning the persecution of the Jews in his catalogue of crimes, and firmly concluded that the record was still far from complete. This language, mixed with a fair measure of self-criticism, is certainly an important novelty and a symptom of the new mood. Admittedly the Anglo-Saxon parties are only poor relations in the communist family. Signs of ferment can also be seen, however, in the big communist parties of France and Italy. If their newspapers manage to clear their throats and speak up, there will be something really new on the western front.

After Tonbridge

THE result of the Tonbridge by-election is a symptom of something more than the known simmering discontent among the Government's normally most loyal supporters. Admittedly, the extent of the apparent swing to the left there—nearly 8½ per cent—needs to be taken with a large pinch of salt. At least two local factors came to Labour's aid: a great improvement in their own organisation, and a row among the Tories about the Government candidate. But annoyance about an imported candidate would only cause abstentions; and although the most dramatic feature of the poll was that the Tories turned out 9,000 less votes than they did in this constituency at the last general election, the most interesting was that Labour turned out all but 400 of its vote at that time. There are always more than 400 customary Labour supporters in a constituency of this kind who just do not know that a by-election is going on, and it is quite clear that some Tonbridgians who voted Tory last year must have voted Labour this time. There has been a genuine swing, and almost certainly bigger than the country-wide swing of about 3 per cent that most people had deduced from the recent local election results, the public opinion polls and other straight fights in by-elections during this Parliament. If there was a general election today, Labour would at last start as favourites in the betting.

What are the morals? The Tories should conclude that it is better to be pilloried for sheep than for their present bleating lambs. The Cabinet might well ponder

whether the Tonbridge result would have been any worse if Parliament was now debating a Bill to deal with rent restriction. Labour, on its side, should take note that it has achieved this success at a time when old fashioned Socialist ideologies are not being deliberately flaunted in a nervous public's face. The first batch of Labour's "new policy" documents is soon to appear; their authors should be warned that the professional propagandists of the right are awaiting these more eagerly than the propagandists of their own party.

The Unseen Cloud

EIGHT miles above the earth, a cloud made up of little pieces of coral rock from the Pacific atolls and fused silica from the Soviet hinterland floats on the surface of the dense atmosphere, hurled up there by the force of H-bomb tests and too small and light to come immediately down again. Each year, however, some of these particles float to earth, like leaves sinking in water, and they carry down the radio-active debris left over from the bomb itself. In March last year, the Medical Research Council set up a committee to find out how dangerous this fall-out was likely to become. Its conclusions were published this week.*

The whole world is slightly radio-active. The committee had to decide how much additional, man-made radiation the population could tolerate before this began to take its toll on the human body, both in the form of long-term genetic effects and of the more immediate manifestations of delayed radiation sickness like cancers and leukaemia. Its findings are unexpected. It has made the disconcerting discovery that there is more danger today in the slap-happy use of X-rays in hospitals and shoe shops than all the H-bombs so far exploded. The amount of new radiation created by H-tests is less than 1 per cent of the natural level, and over a lifetime of 50 years would add less than a 2,000th part to the radiation a man would get from natural sources. The radiation from diagnostic X-rays is equal to a fifth of the world's natural radiation, and the committee considered this serious enough to need closer investigation.

Although the H-bomb's own cloud is not immediately dangerous, that does not mean it will not become dangerous if it grows significantly in size. H-bomb tests, if continued at the present rate of one or two a year, will not add appreciably to the debris in the stratosphere; but an increase in the rate of firing and the size of bomb would do so, while a thermo-nuclear war would be frank disaster. The destroyed fabric of H-bombs consists partly of a long-lived radio-active material known as strontium 90, which has many of the characteristics of calcium—including the one of being absorbed into the bones of men and animals, where it could build up radio-active deposits inside the body in sites where they can do most damage and from which there is no way of removing them. As the cloud circles the earth, a fine layer of strontium is deposited across the globe; the concentration has increased sixfold since the first H-test two years ago. The present level in man seems to be about a thousandth of the maximum dose

* The Hazards to Man of Nuclear and Allied Radiations. HMSO, 5s. 6d.

The Freeze Begins at Home

THE problem of MPs' pay is one of those awkward affairs where sharp things need to be said to all sides—to the public, to the Government, and to MPs themselves. The public needs to be told that it ought to pay a higher salary if it is going to get the sort of service from its MPs that it should require. This is not wholly—or even mainly—a question of the quality of candidates now coming before party selection conferences, although there is some evidence that this is deteriorating. The real issue is what one expects an MP to do when he gets to Westminster. The sort of member a wise constituent ought to want is a man who, when, say, some colonial politician comes to London, can afford to invite him out to lunch; at the moment a majority of members just cannot do so.

To the Government the obvious comment is that one suspects that it will not agree to any increase, for fear that Parliament's example might help to knock away the already slender props under Mr Macmillan's "plateau"; that this refusal will cause a lot of bad blood and inconvenience in the House; and that the inconvenience will be entirely its own fault. Two years ago a £500 rise to MPs would have done the economy no harm.

The Tory backbenchers, who blocked the £500 rise two years ago, deserve the sharpest criticism of all. They believed then that more pay for MPs would cost them votes in the general election; the election came less than a year later, and hardly a heckler mentioned the subject. Since Tory MPs, as a whole, tend to be better off than their opponents, the dominant impression that remains from that time is one of rich men's sanctimonious meanness.

Finally, however, the Labour and Liberal MPs who are now agitating for a rise are doing a great deal to lose public sympathy, by asking for too much of it. Their request is for the £1,500 that they unsuccessfully voted themselves two years ago, increased to £1,672 to make exact allowance for the rise in the cost of living since then; this is the worst sort of wage formula for present public exhibition. Their allegation, too frequently, is that MPs are worse off than ever before; this is untrue, since they got an approximately 25 per cent rise in 1954, and are therefore better off than they were at the beginning of the last Parliament. Their suggestion is that an outside committee should arbitrate—on a subject which Parliament can obviously handle with more knowledge and experience than anybody else, though also with more invidiousness. A battle that should be fought on the issue of Parliament's efficiency is thus deteriorating once again into an undignified appeal to the public, blinked out through large spaniel's eyes. In a campaign from which nobody emerges very well, however, those who are asking for a rise probably emerge least badly; it is hard that they, almost certainly, are going to be the ones who will get no prizes.

Army in Slums

THE report of the Select Committee on Estimates on the Army's works and buildings is a shocker. It restates bluntly that the continued use of "sub-sub-standard accommodation" (a tour of which deeply shocked Sub-committee

B) is having "the unfortunate effect of driving people out of the Army, instead of encouraging them to join it or remain in it." Service slums continue to play their part in running down the professional element in the services, frustrating such attractions as increased pay, and riveting ever more firmly upon the country the high cost and vast inconvenience of conscription. This is the falsest of false economies.

Who is responsible? It is clear that constant changes in defence planning have exaggerated further the lack of administrative control in the services; departments that have had most money in the past suffer least, and facile slogans about economising on the tail instead of on the teeth have caused cuts in parts of the tail that are really essential. The Army's vast storage schemes, many of which were unnecessary, wrecked many excellent service housing plans. The War Office has been ready to eliminate housing from its estimates in favour of more cherished plans whenever Treasury cuts have been enforced. The Treasury, as the committee makes very plain, must share this responsibility for bad Army estimating methods: its device of an "all-round percentage" cut is the worst incentive to careful planning and close costing, and the more the Treasury suspects inflated estimating the more it insists on percentage cuts. These revelations emphasise again how important it is that a ruthless Minister of Defence should be in charge of the major reassessment of defence expenditure that is now in prospect—instead of leaving the allocation of some arbitrarily determined cut to be decided by a vague process of collective bargaining.

On Not Annoying Councils

MR SANDYS has gone a long way towards scotching any remaining hopes that his forthcoming White Paper on local government reform will settle anything of importance. Last week he recited to the County Councils' Association the case for reform, emphasising the great changes in the scope and cost of the public services and in the distribution of industry and population which have occurred since the present local government system was forged in the 1880s. He then promptly set his own words at naught by indicating that the Government has no intention of imposing major adjustments in the face of the known opposition of the local authority associations. The White Paper proposals, when they do appear, will pay "most careful attention" to these associations' views.

In other words, the structure and relations of counties and county boroughs will be left much as at present. Yet, curiously, in the very same speech Mr Sandys demonstrated the anarchic tendencies of the present arrangements. He chided the county councils for opposing extensions of city boundaries, out of fear of losing rateable value, while failing to provide alternative outlets for the cities' congested populations. He declared that the counties' failure to utilise the Town Development Act might force the cities to solve their problems unilaterally with the aid of compulsory powers—in other words, to sprout a rash of municipal housing estates all round the adjacent counties.

Who is to knock the heads of the counties and county boroughs together? Although Mr Sandys himself has so

far rejected the responsibility—and has emphasised the fact by cutting down his own department's efforts at regional co-ordination—eventually he will probably feel constrained to force the warring local authorities to work together in joint planning boards. But before plumping for this second-best palliative, the minister should ask himself how many services—besides housing and town and country planning—are suffering seriously from local government inefficiencies; the list would certainly include water supplies, fire services, and the still disintegrated health service. No reform could meet the needs of all these services. But the elimination of the smaller counties and county boroughs, combined with a new deal for the middle-sized towns, would at least make the machine work a great deal more smoothly—and would do so without any of the sacrifice of local roots so feared by the Conservatives. This fact gives Mr Sandys a last chance to make some constructive reform.

Blot on Japan's Hansard

THE voters who on July 8th will elect half of the upper house of the Japanese Diet cannot feel much respect for its members after the disorderly end of its last session. There has been nothing so bad since the famous riots in 1954. After brawls in the usually decorous upper house, eventually quelled by 500 police, the ruling Liberal-Democrats were able to force through only part of the controversial legislation they hoped to have on the statute book by midsummer. They secured the creation of a council which will propose alterations to the present American-written constitution, probably including the removal of the famous "no war" Article Nine. They have increased central control over education at the expense of locally elected school boards, in the face of demonstrations by teachers and students and an appeal from the teachers' section of the International Confederation of Free Trade Unions. But the Socialist opposition succeeded in blocking other important Bills, including one regulating the issue of textbooks to schools and the all-important one for electoral reform.

The blame for the senatorial rioting lies about two-thirds with the Socialists and one-third with the Liberal-Democrats. The government, by proposing to alter the voting system in a way that would give it more seats, violated the rule that a majority should never use its strength simply to grind the minority's face in the mud. This might have cost it a good many votes next month, had the Socialists not forfeited sympathy by the way they handled their opposition to the other Bills. Western onlookers may share their suspicion of some of these Bills, especially those that threaten to divert the Japanese education system from its present liberal ways; but there are limits to the obstructive tactics permissible to a parliamentary opposition. At first the Socialists used filibusters and repeated motions of no-confidence, devices which are familiar enough in the West though they may well irritate Japan's more autocratic leaders; but when these failed they turned to violence, twice blockading the president of the house in his office. Japanese politicians have yet to show that they understand the rules of the parliamentary game.

Barriers for Books

BUYING a book from abroad has been a tedious business in our postwar era of currency controls. All but the most ardent seekers after knowledge blench at the thought of getting foolscap forms from a bank, justifying one's request in triplicate, applying to the Bank of England's exchange control authorities, and waiting, perhaps for weeks, to get eight and sixpence worth of dollars cleared. For six years, however, Unesco has lightened these labours. Individuals and organisations in 23 countries have been able to buy a Unesco coupon in their own currency and send it abroad to buy books, scientific equipment, or educational films and filmstrips. Orders for British books come mainly from people without bank accounts in remote places, including colonial territories; libraries in towns as far apart as Jakarta and Ankara are also regular customers. Outgoing requests come from students and laymen who want to learn, from books and periodicals not available in Britain, more about solar energy research, mill layout, and other variegated but sober matters.

Unesco now proposes to wind up this civilised device. It is argued that the easing of exchange restrictions makes its continuance unnecessary. The real niggers in the woodpile are apparently certain Continental firms that have used it for sizeable transactions of doubtful educational value. Member governments are now considering whether to approve the burial of the coupon scheme.

It would seem fairly easy, however, to ensure that the innocent should not suffer with the guilty. While it is no hardship for a firm dealing in large sums to work through normal financial channels, these are still discouragingly complicated for the humble individual seeking to break through the currency barriers, whether he is a clergyman on Rathlin Island who wants to get a Zagreb chess journal, a Trinidadian studying radio-telegraphy, or a Falklands schoolmaster halfway through a correspondence course from a Connecticut art school. Unesco could easily limit the scheme so that it could not be exploited for large-scale commercial purposes, without abandoning one enterprise, among its myriad activities, which actually does help to carry knowledge across seas and frontiers instead of merely piling up platitudes on that very theme.

Blueprint for Somaliland

THE pronouncement of policy for British Somaliland by the Minister of State for the Colonies, Lord Lloyd, was an imaginative attempt to offer a poor territory a viable future, put forward, unfortunately, in somewhat pedestrian and unimaginative terms. The core of the proposals is that self-governing institutions should be developed in the colony, so as to put it in a position to consider an *Anschluss* with Somalia—the former Italian Somaliland—when under the terms of the United Nations trusteeship it becomes independent after 1960. It will be virtually impossible to sustain a British Somaliland (and a French Somaliland) under full colonial control next door to an independent Somalia—especially as, in recent years, Somali nationalism

has been growing, even though the Somali tribes never had a single homeland.

Somaliland is a poor, arid, and therefore desperately backward territory whose main economic hope must be the discovery of oil—on the Somali side of the new Ethiopian frontier. It is already heavily grant-aided, and Lord Lloyd has now promised it more educational and economic help. But in saying that "the primary object of all these developments is to make the Protectorate ready for internal self-government" he remained vague about the powers of the new Legislative Council, and about the time factor. 1960 is four years away. What the British Somalis can achieve in administrative training in this period will have a direct bearing on the part they will play in administering any united Somalia in the future, and therefore on the relations of that country to the Commonwealth. And, situated opposite Aden, the Somali coast is of very considerable strategic importance.

Italian Parties Still Apart

THERE has been a flurry of activity among Italian politicians as a result of the local elections—although the upshot seems to be to leave things, at the moment, very much as they were. The elections brought into the lime-

Limited Commitments

Now, though nations must never perpetrate wrong, it by no means follows that they are bound or would be wise or right in all cases to interfere to prevent its perpetration. Each case must stand upon its own merits. We are not charged with the general police of the universe. We cannot undertake knight-errantry throughout the whole world. We may interpose to protect our immediate friends, or special allies, or close connections, those to whom we are bound by affection, those to whom we are linked by interest—without entailing upon ourselves the obligation to defend also the distant and the unrelated. We may properly enough take up arms to resent one wrong or to beat back one encroachment, yet with equal propriety decline to punish analogous wrongs elsewhere, or to repel all similar encroachments. We must do what we can—what most concerns us—what lies within our special power, our close cognizance, our easy reach. It is no accurate or cogent logic that would constrain us, because we have protected the weak and baffled the robber in Europe and at home, to pursue the same course at the antipodes and in another hemisphere. To do so would be simply out of our power and beyond our scope. It is a policy which we could not carry out, and which therefore we should not be wise and are not called upon to undertake. In many cases we should not be able to pronounce a certain and authoritative judgment, and in many more we should not be able to enforce our sentence, or to enforce it without doing more harm than good. To announce that we disclaim the vocation of righting all wrongs and punishing all crimes all over the world, may possibly be an encouragement to the wrong-doer—but it is an encouragement which we cannot help affording.

The Economist
June 14, 1956

light two controversial projects which, when they are not occupying the centre of the Italian political arena, can usually be found lurking in the wings: the enlarging of the present centre coalition by an "opening to the left," and the unification of the two Socialist parties.

In more than a hundred municipal centres, including key cities like Rome, Milan and Florence, the return to proportional representation has deprived the Christian Democrats and their allies of a working majority. The Christian Democrats might have avoided the problem of running minority administrations by joining forces with the Nenni Socialists, or, more improbably, with the extreme Right. But if they turned to the left they would forfeit the support of the right-wing Liberals; if to the right, that of the Social Democrats. More important, a move to the left would link them, through Nenni, with the Communists and these local liaisons would compromise the national government. In the event, their national council decided against venturing into uncharted seas; it voted against alliance with either the extreme Left or the extreme Right.

The rather surprising successes of both the Nenni Socialists (at the expense of the Communists) and of the Social Democrats gave rise to hopes that a new day might be dawning for Italian Socialists who, if they could join forces, would command about a fifth of Italy's votes and become a force to be reckoned with. Last week delegates of the two parties met to discuss unification—their first official contact since 1947. But according to all reports the meeting was not a success. Signor Nenni's refusal to break his pact with the Communists must have reinforced the doubts of those Social Democrats, including Signor Saragat himself (who did not attend the meeting with Nenni), that the unification of the two groups would lead, not to a renaissance of democratic socialism in Italy, but to its permanent subordination to communism.

What is Truth in Turkey?

FOR all their appearance of toughness, Turks can be thinned to a fault. Last winter there were incipient signs that the Menderes Government had resolved to conquer this failing; it showed a willingness to respond to the pressure of public opinion and to amend its economic policy accordingly. It even mentioned amendment of the 1954 press law. Last week that hope was dashed. A new press law, far more stringent than its predecessor and covering not only writers but proprietors and publishers, as well as speakers at meetings, has been passed by the Grand National Assembly by a five to one majority. (In all, about 160 of the 540 members seem to have abstained.)

At the root of the trouble is an economic policy that is unpopular because prices are high and necessities scarce. In April, speaking at the opening of the Adana dam, Mr Menderes displayed his irritation at criticism—often unbridled—by asserting, with some exaggeration, that the press was "preparing revolution in the country." The new law includes some features that reveal the way the economic wind has been blowing—for instance, one clause lays down sentences of up to three years for publishing "false news which would curtail the supply of consumer goods, or raise prices, or cause loss of confidence in the authorities."

PROGRESS IN ELECTRONICS

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Another binds newspapers to print denials of their assertions without comment. But who is to say which is right, story or denial, in a case where both are a matter of opinion, not of fact? The outlook for fair judgments on moot points is not bright in a country which has just retired 16 judges, many of whom, when their record of cases is examined, turn out to have given verdicts in favour of offenders accused under the old press law.

How Civil a Service?

THE Commons debated last week whether civil servants are really civil. Once upon a time it was enough for a civil servant "to be directed to say" and to conclude that he was one's "obedient servant"; but now that the state's power has become so great, and the citizen's stature so much reduced, this is too formal at one end and too patently untrue at the other. Members in the debate were diligent in their search for ways of improving relations between the bureaucracy and the public; but the argument repeatedly returned to the point at which public relations is defined as the sum total of contacts and impressions. Salesmanship without a saleable product is otiose from the start; and basically it is Government policy which the departments must interpret as humanly as possible to the public. A bad policy—such as rationing—cannot possibly produce good public relations, even if the staff of ration offices are hand-picked for sweet temper and efficiency (which they aren't). The real difficulty about the departments' public relations is simply that there is so much of them; they touch the public at so many spots that they are bound to touch many sore ones.

The one concrete proposal that emerged from the debate was related to the power of civil servants over ministers rather than over the public; but Mr Crossman's suggestion that the affairs of some departments should be under constant review by a standing committee of members of the House may be worth more consideration than Mr Brooke seemed to think. It clearly would not work well in relation to the Foreign Office; or in connection with any policy that was a straight issue between the parties. But it is worth considering in relation to the colonies, for example, and very possibly the Home Office. Members have recently been unduly worried at their inability to thrust their noses into the day-to-day operations of the nationalised industries. There is a rather stronger case, despite their ability to ask questions in the House, for wondering whether they might not benefit from more scope for inquiring into day-to-day operations in Whitehall.

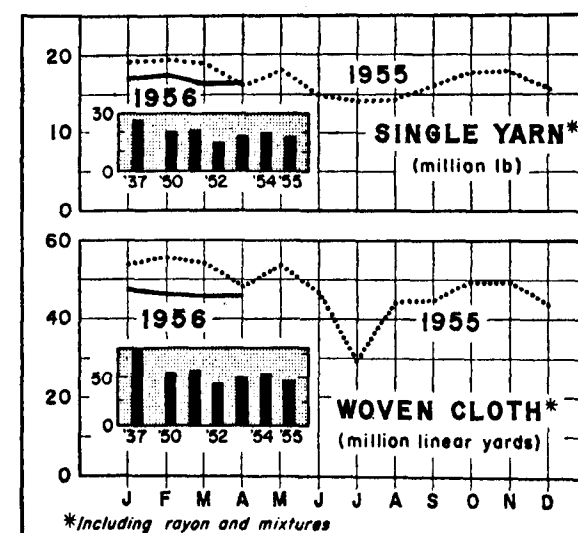
Pruning a Crown Privilege

LAST week the Lord Chancellor told the House of Lords of certain proposed modifications in the use of Crown privilege to withhold certain documents in court cases. This privilege has become important since 1947, when the Crown Proceedings Act made the Crown liable in tort or in delict in the same way as private persons.

The privilege can be claimed for two classes of document. The first is the kind of document where disclosure would injure the public interest, for example by endangering public security or prejudicing diplomatic relations. The second is the document which is withheld in "the interests of the proper functioning of the public service." The Government will continue (quite rightly) to use its privilege in the first class of document, but it will narrow the second class by freeing from it some of the sorts of documents that are most frequently involved in litigation. Unfortunately, however, it is not going to free enough. Very broadly, the Government's policy will apparently be to provide the court with such documents as the reports of accidents in which a Government employee or premises are involved (thus meeting, for example, the strictures passed on it in a notorious recent case when privilege was claimed for a report by a prison doctor which might have been relevant to a claim for negligence against the Crown); to be very cagey about producing reports by service doctors or welfare authorities in divorce cases; and flatly to refuse to produce departmental memoranda and minutes, even in cases where a plaintiff is seeking to show that a Minister has acted *ultra vires* or on wrong principles.

In defending this last decision, the Lord Chancellor maintained that it was important that civil servants should be able to commit their opinions freely to paper, in the knowledge that they would not be produced in court. The Government has therefore rejected the Bar Council's suggestion that a judge, and not the Minister concerned, should decide whether a document should be withheld; the Lord Chancellor argued that the judge would consider a particular document as such, rather than the effect on the public service of disclosing the class to which it belonged. Anybody acquainted with Whitehall will understand the pressures that have led to this decision. But they are pressures of a thoroughly undesirable kind. The Government ought to lean over backwards to assist the judicial process; in order to save civil servants' faces it is instead leaning over as far as it dare—and much further than it ought—in precisely the opposite direction.

OUTPUT OF THE BRITISH COTTON INDUSTRY
WEEKLY AVERAGES



Letters to the Editor

Time Grows Short in Cyprus

SIR—At the conclusion of your article of June 2nd, you state that the political programme you outline "may underestimate the strength of Turkish feeling."

It most certainly would do so. Experience has shown the resolution of each Balkan nation not to submit to the rule of the other. And has it not been demonstrated only too often to the various national minorities that even the most liberal constitution, purporting to guarantee their rights, is in practice little more than verbiage?

The course you propose would create just such a situation since under the constitution Greek Cypriots would "enjoy an elected majority": it follows that Turkish Cypriots would be reduced to the status of a permanent minority. A change would have been brought about, but for the worse; an internal strife would have been transformed into a far more dangerous external one with Turkey. The ordinary westerner might give a sigh of relief at such a "final settlement," but perhaps in Cyprus, Greece and Turkey moderates would see only that the extremists had won.

In the House recently doubts were expressed on both sides as to the efficacy of the principle of self-determination. It is the first time that a western government has recognised—and before irreparable damage has been done—that stubborn facts can stand in the way of its simple application in this area of mixed populations. The Government has chosen a harder way in refraining from a short-cut solution on that high-sounding phrase. The insinuation that this is on account of oil interests casts no slur on the present Government, only on previous ones and on those western statesmen who disposed of similar intricate Eastern and Central European problems in too careless a manner.

There is need for deeper and more original thinking than automatic resort to the panacea which has been a catastrophic failure whenever it has been applied in this part of the old world.—Yours faithfully, LEO GESTETNER
Hampstead, N.W.3

Kashmir and Goa

SIR—In *The Economist* of June 9th you write, in regard to Kashmir, of "a legalistic attitude ironically akin to the Portuguese position on Goa." The Portuguese attitude in regard to Goa does not rest on mere legalistic grounds. There are many other reasons for the Portuguese to stay in Goa: historical (the Portuguese have been there for just under 500 years); moral (Portugal can-

not trade people who feel themselves to be Portuguese); religious (Goa is a centre of Christianity and roughly half of the population is Catholic); racial (it is an acknowledged fact that there is no race prejudice in Goa and that the Goans have full Portuguese citizenship); political (Goa is an integral part of the Portuguese nation); and, finally, cultural reasons (the Goans are "westernised" in their outlook and in the Indian Union they feel themselves to be foreigners). But what you write is true enough: at least it uncovers the two faces of Mr. Nehru. When the Portuguese use the legal argument, Mr. Nehru brushes it aside; when he himself claims Kashmir for legal reasons, he wants all the world to side with him.

One last point. The Indian claim to Goa is now ten years old. During these ten years no agitation has been traced in Goa and no significant number of Goans abroad have shown any willingness to join India. What has happened is just the opposite. Is it not time for Mr. Nehru to give up his ridiculous claim? To make a mistake is natural. But to insist on it!—Yours faithfully, M. DA SILVA
London, W1

Leave in the Civil Service

SIR—The recent vote in favour of the Government's offer on pay and leave by the conference of the Civil Service Clerical Association indicates that these proposals will be generally accepted and come into force on July 1st.

I find it remarkable that there has been no public reaction whatsoever to the Government's proposals. The Royal Commission in their report recommended a very drastic reduction in leave amounting in some grades to nearly half. The Civil Service Association naturally refused point blank to accept such cuts and the Treasury were quick to appreciate that unilateral enforcement was impractical. Accordingly there were negotiations of which the present package proposals are the result.

The Government's proposals are that civil servants now in post shall suffer virtually no cuts in leave, the only changes to be consequential ones arising out of the replacement of the six-day week by the 10½-day fortnight. The civil servant of the future, however, is to be sacrificed on the altar of the Royal Commission's principles and his leave will be limited on the basis laid down in their report. In other words we are witnessing the creation of a class structure within the Civil Service dictated only by the date of entry to its ranks. This is not the first time that the Government has dis-

tinguished between present and future civil servants.

The argument in favour of the Government's proposals is that future civil servants will know the conditions of entry and can stay out if they so wish. Although superficially attractive, the contention is not a valid one, for it implies that the would-be civil servant has freedom to contract whereas clearly he is in no position to negotiate on the terms of his engagement. Moreover, taken to its logical conclusion, the Government ought not to have general conditions of service at all, but should instead make individual contracts and thus obtain the best possible terms from each entrant.

Surely the only reasonable principle governing the condition in the Civil Service ought to be the work done and responsibility carried in each grade. There is no room for distinction based on dates of entry.

The consequences of the present proposals are obvious. The quality of the Civil Service will deteriorate since the generous leave allowances which have been an attraction in the past will have gone. In view of the enhanced economic importance of the Civil Service today, it behoves the public to safeguard this quality. If it is right for civil servants in post to retain the present scale of leave, then the taxpayer should be prepared to bear the small additional cost involved in giving future entrants the same terms of service.—Yours faithfully,

C. W. KOENIGSBERGER

London, N.W.2

Disinflation by Funding

SIR—Your article and ensuing letters lead me to raise some layman's queries.

Whilst it is not denied that funding can deflate, has the technique of control of inflation by subsequent funding resulted in milder or more rampant inflations? It seems that funding has never cured the endemic tendency to inflation in all economies where money power is centralised even though it may have procured a halt for breath.

Might this not be due to the fact that funding is an easy way out for those who have over-spent? The harshness of the measure falls on the less vocal (and often financially naïve) section of the populace who still persist in buying, or are willy-nilly saddled with, long-term fixed interest obligations. Gradually, distrust of such obligations may force the authorities away from orthodox funding or into more naked methods of enforcing their will.

If we wish to avoid either unpleasantness, cannot some means be found of controlling the spending? This may be a begging of the whole issue, but by control is meant action before spending is undertaken and not after. Theoretically we may have such control. I don't know. But, if so, how may it be made effective?—Yours faithfully,

LAYMAN

[We hope to return to these difficult and controversial questions of monetary policy very shortly.—EDITOR.]

Books & Publications

Arms and Men

ADMINISTRATION OF WAR PRODUCTION.

By J. D. Scott and Richard Hughes. Her Majesty's Stationery Office. 556 pages. 37s. 6d.

MIRACLE OF WORLD WAR II.

By Francis Walton. New York and London: The Macmillan Company. 587 pages. 52s. 6d. \$7.50.

TO the student of public affairs the seventeenth volume of the British civil history of the second world war may be the most interesting; it is certainly one of the most readable. The names of the authors lead one to expect clarity and wit in the writing, and their own experience of affairs at the centre of two of the Ministries described is reflected in their appreciation of how things really happened:

at these levels documents give little real guidance; matters of importance are discussed and settled by word of mouth by those with authority to settle them out of hand: the action taken goes on to official paper, perhaps, but seldom the full reasons for it: the more important the proposal the more likely it is to be scribbled on an old envelope, and administrative suggestions from comparatively exalted quarters that are unacceptable are more usually "lost" than contraminuted.

It is this atmosphere which makes it hard for the historian who was not himself in the history to do justice to the power of individuals in influencing events.

The history is one of contrast. The Admiralty remained one body controlling both ships in action and ships in building: writing the history of its production administration is "painting half a face." Despite the geographical split between Whitehall and Bath, the organisation remained basically unchanged.

The Ministry of Aircraft Production, torn from the Air Ministry in 1940, suffered at first from the calculated lack of administrative order that contributed to the short-term successes of Lord Beaverbrook and makes it impossible for the official historian to continue to refer to persons by their functional title. On the Minister's departure to the more resistant organism of the Ministry of Supply, MAP, after changes of structure which followed the coming and going of persons of importance, settled down to a well-planned existence.

The Ministry of Supply differed in the great number of Directors-General in the organisation chart, but this was only an expression of the widely diffuse and unconnected production problems that were the responsibility of that Min-

istry. The shifts of power were less dramatic, perhaps because so much resided throughout in the hands of the eminent civil servant who recently retired from the War Office.

The Ministry of Production followed a succession of committees of varying authority charged with the central balancing of production. It began uneasily because its functions appeared to other departments to be controlling rather than co-ordinating. Much of its strength came from the development of the Joint War Production Staff towards the co-ordination of production and strategy, a function that had earlier been performed by the Defence Committee (Supply) under the chairmanship of the Prime Minister.

By the second half of 1943 it began to be realised that a working machine had come into being. The test came when reductions in some programmes and shifts of production and labour became necessary in order to secure the required balance of the armed forces and their equipment. By this time the central planning organisations knew what was happening and could forecast the effect of change; production departments could enforce their authority; and regional organisations were geared to follow through the detailed consequences of decisions taken centrally. In the field of American supplies, co-ordination became necessary earlier, and in the later stages the combined approach under the leadership of the Ministry of Production became highly effective.

This book can be recommended to other historians, to students of the theory of administration, to lovers of state planning (who may get little comfort) and to those who were entangled in the events described. These may appreciate more clearly what was happening around them than they did at the time.

Mr Walton's book, by contrast, is a history of the achievements of American war production told from the point of view of industry, rather from that of officials. Its great virtue is his understanding of the problems on the factory floor that were caused by the shift from passenger cars to aeroplanes, from hardware to machine guns, from sewing machines to aircraft instruments. Especially interesting is his exposition of the problems of fitting military designs to the normal American production layout. In the case of British and Continental equipment, such as the Merlin engine and the Oerlikon Gun, complete re-design of thousands of parts was necessary before production could begin. The initial growth of production of all military equipment was hampered by

the wide use in American industry of the specially designed, single-purpose, machine tool. And a further problem arose from the paradox that, although the majority of military weapons are used only for a fraction of their potential life, being either abandoned or destroyed or never used, yet the manufacturing tolerance required is of necessity far closer than in normal engineering practice.

Mr Walton shows how the British and French contracts placed before Pearl Harbour developed war capacity particularly among firms not normally in the armament business (the specialists were reserved for American army needs). But he surely over-emphasises the harmful effect which lend-lease had upon American production, and forgets that the recipients were fighting to survive until American production was a reality. Few of them would accept the conclusion that in the distribution of lend-lease there was "no vigilance, no careful study of cases."

He is scathing about Roosevelt's production directives for 1942 and 1943. Of course, the figures were high, wide and handsome, but they had the touch of imaginative unreason which made Business and the Administration realise how vast was the need: and in the end these objectives were on the whole achieved.

Presidential Phenomenon.

EISENHOWER THE PRESIDENT.

By Merlo J. Pusey. New York and London: The Macmillan Company. 300 pages. 21s.

BOOKS that appear in leap years about leading American politicians inevitably invite consideration as campaign biographies. So regarded, Mr Merlo Pusey's "Eisenhower the President" deserves high marks. It is free from nonsense, errors and gross laudation. It contains a certain amount of information damaging to its subject and at several points the author takes issue with his hero, as well as frequently with his entourage. The stock myths are sparingly invoked, there is a total absence—well, almost total—of saccharine about the private life, family history and spiritual experiences of its subject, and the whole product is presented in highly literate prose and paragraphs of more than one sentence. In fact, as one reads on, the conviction increases that this is meant to be something more than the opening shot in the 1956 campaign.

However, if one looks at "Eisenhower the President" in this other light, if one starts applying to it the standards that Mr Pusey's earlier exercise in biography, "Charles Evans Hughes," suggests; then pleased surprise gives way to serious disappointment. The book then takes on the less pleasing aspect of a biography too brief to include a frank presentation of the hero's weaknesses and errors—for instance, the "Let Asians fight Asians" phase of the 1952 campaign—but at the same time spacious enough to contain such confidential material from the White House files as

that giving a highly favourable account, from the Administration's point of view, of the Indochina crisis of 1954. This is selective biography. It will indeed add to our knowledge of these years, but only if we can fill in for ourselves what Mr Pusey does not give us. Again, it is repeatedly apparent that the author has more criticisms in his mind than get on to his page, but this can only be learnt by a study of his silences—about Mr Brownell, for example.

More surprisingly, Mr Pusey never seems to appreciate what a truly remarkable phenomenon he has chosen to expound—a President more popular than any other in the history of the Republic, who has achieved the goal of every politician of winning the credit for all his administration's successes without being blamed for any of its failures. How this has been done, by what remarkable gifts of personality, skill in salesmanship, or happy conjunction of planetary influences, Mr Pusey never seems to inquire. Yet in a year when seemingly nothing except a bouncy cardiogram—or perhaps a "belly-ache"—can prevent Mr Eisenhower's re-election this would seem the interesting question to ask and at least to try to answer.

End of the Unsinkable

A NIGHT TO REMEMBER.

By Walter Lord.
Longmans. 199 pages. 16s.

IN 1927, when Mr Lord was a small boy, he crossed the Atlantic in the *Olympic*, the *Titanic's* sister ship. Already, it seems, the disaster of 1912 had cast its obsessive spell over him. His researches into what happened during the last nine hours of the *Titanic* in the freezing waters of the North Atlantic began with badgering the *Olympic* stewards; they have stretched over twenty years spent in assembling evidence, studying contemporary reports, analysing testimony given at the official inquiries, and interviewing survivors. In this book, he presents a synoptic "You were there" account of an awful, spell-binding disaster that remains rooted in the imagination of millions who have a much less compulsive recollection of innumerable horrors that occurred in two world wars.

What explains the hold that the sinking of the *Titanic* still exerts over men's minds today? One element must surely be the unfolding of a tragedy so classical in its elements and so strictly governed by the dramatic unities—the false confidence of man posing himself against nature as its main theme, and the confrontation of 2,200 men, women and children, as courageous and as craven as most, with a three-to-one chance of escaping death at a moment when they were never more self-assured or, as they thought, more secure.

Mr Lord's method is minutely detailed—for some tastes, perhaps, almost too *pointilliste*—and no one is ever likely to come nearer to setting down precisely what occurred, what was said, and what people did between 11.40 p.m. on April

14, 1912, when the *Titanic* struck the iceberg, and 8.30 on the following morning, when the *Carpathia* had picked up the 700 survivors. The momentous is mixed with the trivial—as in war itself. The night baker was impressed with the collision because it upset a pan of rolls about the floor. Some people collected fragments of ice as souvenirs. Below decks, the boatswain gave the crew half an hour to live. In the first class smoking room, bridge had been resumed. No alarm, no bells, no sirens; polite knocking at cabin doors, unhurried dressing and the donning of lifebelts. And all this time the builder of the *Titanic*, Thomas Andrews, knew that with five compartments flooded the unsinkable was doomed. Ten miles away, the 6,000-ton freighter *Californian* had tried to warn the *Titanic* of icebergs, only to be told to get off the air; and by the time that the *Titanic* started to send SOS signals the *Californian's* radio was manned, not by the wireless operator, but by the third officer, an amateur who could not make the set work.

There is bitter irony in so much of the *Titanic's* story: devoted service (none greater than the *Carpathia's* work of rescue) mixed with gross blundering; the "best traditions of the sea" as exemplified by Second Officer Charles Lightoller, confused with some of the worst behaviour (although one finds it difficult, at this distance, utterly to condemn those who failed under so agonising a test); the bad luck that ran against the odds even of this perilous gamble against ice in the North Atlantic at such a season; the inadequate and yet only half-filled lifeboats. None of the "ifs" came to the rescue of the *Titanic* that night, and men are still somehow chastened because their fathers were arrogant enough to suppose that they might.

The South Slavs

PEASANTS, POLITICS, AND ECONOMIC CHANGE IN YUGOSLAVIA.
By Jozo Tomasevich.
Stanford University Press. London: Cambridge. 755 pages. 60s.

IT is a rare and exhilarating experience to read a first-class book about the South Slav people. Its rather general title belies the detailed, scientific and scholarly character of the work. The author's main concern is to describe conditions and changes in life among Yugoslav peasants from the beginning of the twentieth century to the outbreak of the Second World War. This is no mean task since the South Slavs are divided into many different groups living in different climatic and geographical regions and with widely diverse historical and social backgrounds. The problem of how to treat them as a whole has stumped many a writer before. Undeterred, Dr Tomasevich tackles the problem boldly by prefacing the section on agriculture—which constitutes the major part of the book—with a short section outlining the history from earliest years of the peoples and regions that now constitute Yugoslavia.

It might be said that the book is top heavy, as the short political section gives broad outlines, lacking in depth and detail, while the account of peasants and agriculture is long, penetrating and detailed in the highest degree. But it is clear that the author's decision to include some political history, however brief, is justified, since many readers could not understand the agricultural problems without some knowledge of the historical setting, and the lives of peasants cannot be divorced from the political life of the countries they live in. The political history in parts one and two (covering the results of the First World War) and the first chapter of part three is written with admirable lucidity. Here, and throughout the book, the author is not afraid to state his views on controversial matters, and although himself a Yugoslav by origin, his opinions are singularly free from prejudice.

The rest of part three gives a careful analysis (with the aid of many tables and charts) of the numerous factors affecting peasant life and agricultural work. Dr Tomasevich is neither stunned by nor anxious to stun his readers with his massive collection of statistical data. He shrewdly recognises that the use of statistics can often be misleading and that many of the sources available on this subject are weak. Nor is he one of the dry-as-dust or neutral-at-all-costs historians. He grew up himself in one of the poorest regions of Yugoslavia and he shows a deep understanding of peasant life and awareness of peasants as human individuals.

Overpopulation and underproduction on the land together with lack of adequate investment and credit for agriculture have long been the curse of the Yugoslav peasant. Here at last full material is made available for study of these problems; there are excellent footnotes and bibliography. Some further material on the growth and movement of population has been made available in Yugoslavia since this book went to press, and a carping critic might say that less than full attention has been paid to Slovenia; but there is no doubt that this is an outstanding book unlikely to be superseded for a long time to come.

Living With the Cold War

THE PATTERN OF WORLD CONFLICT.

By G. L. Arnold.
New York: The Dial Press. London: Allen and Unwin. 256 pages. 21s.

"THE real issue" in the contemporary world, writes Mr G. L. Arnold, "lies between libertarian revolutionaries and others who can envisage the transformation of society only in terms of the Soviet experience since 1917." This is the basic theme of a powerful, acutely argued and pungently written book. The author believes that the political analyst can best help the politician "by reducing his concepts to the sort of methodical order that corresponds to the world we actually live in," and

he finds the most significant feature of this world in the "long-term processes released by the collapse of the nineteenth-century system of world trade."

The international division of labour originally created by the European industrial revolution "could last only until the outlying regions had begun to build up their own industries." In these outlying regions economic backwardness has been linked with political subordination to industrialised powers, and modern nationalist movements seek to put an end to both conditions. But they are confronted with great difficulties in modernising themselves; hence the attraction of the idea of "rapid economic development under dictatorial control," which draws them towards the Communist solution of their problems. Mr Arnold claims that the Soviet Union has achieved extraordinary results in high-speed industrialisation because "no other political system could have starved the population quite so effectively." The human cost of such a system is not enough to discredit it in stagnant, overpopulated societies with no traditions of democracy, and in the author's view the underdeveloped countries of Asia, Africa and Latin America will move towards Communism unless the West enables them to make the economic transition more easily by means of large-scale capital aid.

Mr Arnold does not regard economic aid as a substitute for armaments in the defence of the West, but as a necessary supplement to them. The cold war, he

argues, is "a struggle to determine the character of the society about to emerge from the impact of modern technology upon countries hitherto outside the historical mainstream." For the West to win it would be to "make co-existence possible," since only with prolonged failure to expand beyond their present limits will the Communists "come to recognise that the remainder of the world cannot be pressed into the strait-jacket imposed on their own society." Until then the Western nations "must learn to live with the cold war, even if it lasts a generation."

Public Libraries

THE CHANCE TO READ.

By Lionel McColvin.
Phoenix House. 284 pages. 35s.

SOCIAL welfare is notoriously a dull subject, not amenable to the lively treatment which the recorders of wars, divorces, prize fights or mountaineering can bring to bear. And such interest as most people can muster in social welfare concentrates in the main on its battles—prescription charges, old age pensions, comprehensive schools and the like. A book about so old-established, uncontroversial and above all so cheap a service as the public libraries cannot expect to arouse passions. Except, of course, among librarians; and this exception will guarantee a good sale.

Mr McColvin devotes the greater part

of his book to a survey of the public library services of the world, and in this most people will find something of interest. The bibliophile on holiday will learn that he must avoid Toulouse and Lyons (Closed in August); the Russo-ophile can rejoice to know that in the Russian Soviet Federative Socialist Republic 65 "bookmobiles" had in 1950 an average readership of 1,650 per van; there is a tantalisingly brief reference to the Bush Book Club of Queensland; French-speaking Quebec, it appears, looks to France for its books, but its Catholicism recoils from much of what it finds there.

Such argument as the book has is a plea for attractiveness in public library facilities, and for freedom from the kind of censorship that is imposed in Quebec and elsewhere. (Subtler problems of unofficial censorship nearer home are not touched on.) The habit of library use is a delicate plant, which will be stunted and even destroyed by discourteous service, inconvenient hours, dreary premises, or charges for borrowing. So if library services are to be provided from public funds, they should be given ungrudgingly, or the expenditure will fail to secure its objects; and these funds should not be used to further propaganda or partisan causes. Since, in these respects, Mr McColvin's strictures are directed at foreign libraries, his English fellow-librarians may be imagined as glowing self-righteously over this book, and thrusting it upon their readers' notice.

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Sweden in Monochrome

A HISTORY OF SWEDEN.

By Ingvar Andersson.

Weidenfeld and Nicolson. 487 pages. 36s.

PROFESSOR HECKSCHER, the great Swedish economic historian, once remarked that a small country had no right to demand that its history be studied, merely because it had happened. His own survey of Swedish economic history, translated into English two years ago, brilliantly revealed the interest of Swedish history: in particular the late but dramatic transformation of a country with a primitive agrarian economy into a major European power controlling a Baltic empire, an achievement based on a monopoly of copper supplies and on the development of a high-grade iron industry. Dr Andersson's general history of Sweden from the early Middle Ages to the present day, now translated, is a concise and balanced survey by a distinguished Swedish historian whose own work has centred on the sixteenth century.

In a stimulating introduction Professor Michael Roberts defines the problems and issues of Swedish history, stressing its many facets and its highly individual structure. Asking whether it is possible "to read without excitement the extraordinary epic of Sweden's rise to greatness," he explains that for him "Swedish history has this challenging quality: that it is almost impossible to approach it without taking sides." But if the appetite is whetted by Professor Roberts's analysis and enthusiasm and by his emphasis on the importance of Sweden's role in the relations between Russia and the West, it is too quickly sated by Dr Andersson's cautious and detached treatment. The constant feud between the monarchy and the nobility, the main theme of Sweden's internal political history, the ability of the metallurgical industries to meet technological challenges, the epic story of Sweden's military conquests and defeats, are presented in monochrome. The internecine struggle between the "Hats" and the "Caps" in the eighteenth century requires more explanation to make it intelligible and interesting to English readers; while Swedish foreign policy, constantly sensitive to Russian strength, needs to be expounded with the aid of better maps than those provided.

Mr Roberts tells us that among Swedish historians academic controversy runs high upon a score of crucial issues, and praises Dr Andersson for being dispassionate and judicious. In this useful textbook Dr Andersson's caution makes it easier to appreciate the lack of passion than the quality of his judgments.

Cyprus Out of Date

CYPRUS CHALLENGE.

By Percy Arnold.

The Hogarth Press. 222 pages. 21s.

THIS is a pleasantly written detailed account of an editorship in Cyprus during the war years. Mr Percy Arnold succeeded the late Mr W. J. Makin as

Editor of the *Cyprus Post* and held the position for two and a half years covering 1943 to 1945. During this time he swallowed the *Enosis* case hook, line and sinker, and the book might well have been written by any of the Archbishop's supporters except that these might not have been so intemperate in their attacks on the Cyprus Government and its British officials. Copious quotations are given from the columns of the paper and this makes the whole book appear rather out of date. In the year 1956, reading the title "Cyprus Challenge" one thinks at least of the Archbishop and of Eoka, but the whole story ends with the end of the war. It has much elaborate sarcasm and great quantities of small beer. There is an apparently well-informed chapter on cabaret girls and an interesting page devoted to a pair of Siamese twins in a bottle. There are also one or two misprints and mis-spellings.

It is true that British officials in Cyprus have, in the past, made many mistakes and for various reasons, but it is asking too much to expect us to believe that all the British officials, both in Cyprus and in London, were complete fools all the time. One detail may be noted. In the treatment of AKEL Mr Arnold prefers to regard it as a genuine labour movement and seems to criticise the way in which it was "harried" by the Cyprus Government of those days. But more recent developments have proved those officials to have been right, for AKEL has since blossomed out as the main Moscow-led agency in Cyprus, organised by Moscow-trained leaders and financed by Soviet funds. The record of AKEL has been consistently anti-British, and it came as no surprise when the present Cyprus Government outlawed the organisation and banned its newspapers last December.

The book ends when Mr Arnold is, apparently, thinking aloud as he stands by the rail of the ship that is bearing him away from Cyprus. He muses on the past and reflects how centuries earlier Richard Cœur-de-Lion had himself been in the same waters "bringing to an end the long Greek rule of Cyprus." But the cold fact is that, Greek emotionalism apart, Cyprus never at any time formed part of any Greek state and, despite Mr Arnold's Enotist friends, the culture of the island today is not Hellenic but Byzantine.

Shorter Notices

THE HISTORY OF THE FACULTY OF ACTUARIES IN SCOTLAND 1856-1956. By Andrew Rutherford Davidson. *The Faculty of Actuaries*, Edinburgh. 290 pages. 20s.

The Faculty of Actuaries in Scotland has been celebrating its centenary this week. Mr Andrew Davidson's book is something more than a ceremonial volume marking this happy event. There is, naturally, much of domestic history in his account of the Faculty's march from the Victorian epoch into the Second Elizabethan; but Mr Davidson also conveys to the general reader

a picture of the qualities that make the complete actuary—intellectual liveliness, practical caution, the gift of imaginative inference from facts that have been scrupulously gathered and logically processed. The contribution of members of the Faculty to this art of forward-looking measurement has its deserved monument in these pages.

HUSBAND AND WIFE IN ENGLISH LAW.

By R. L. Travers.

Duckworth. 112 pages. 7s. 6d.

This is a valiant but only partially successful attempt to compress the law relating to husband and wife into 112 small pages. Apart from the fact that the book is marred by inadequate proof reading and a few out-of-date expressions, its arrangement is in places illogical and its use of material uneconomic. For example, in the chapters on ending a marriage it would surely be better to begin with the reasons for which it can be ended instead of the three bars that make it impossible to obtain a divorce. Again, it is not relevant to take up space in describing the law of education: if everything relating to children were to be included, the book would have to be much larger. With a more ruthless revision and polishing, this would have been a good short companion to the Royal Commission's report. As it is, it can only take its place as one of a number.

TURKEY.

By Geoffrey Lewis.

Benn. 212 pages. 21s.

This book is a new contribution to the publisher's Nations of the Modern World Series; it is not simply a revised version of the book on Turkey published in this series by Dr Toynbee and Mr Kenneth Kirkwood in 1926. The first part of the book begins with an excellent summary of the chief institutions and history of the Ottoman Empire and goes on to trace the development of the Turkish Republic right up to 1955. The second part deals with various aspects of modern Turkey from mineral resources and communications to the modern Turkish character and the attitude towards religion. It is full of facts and figures and contains some shrewd comments, but the author is not so successful in distinguishing the wood from the trees as he is in the first part of the book; and it is a pity that there is not a more adequate analysis of the important economic problems facing Turkey today. But on the whole this is a good and useful background introduction to Turkey.

Books Received

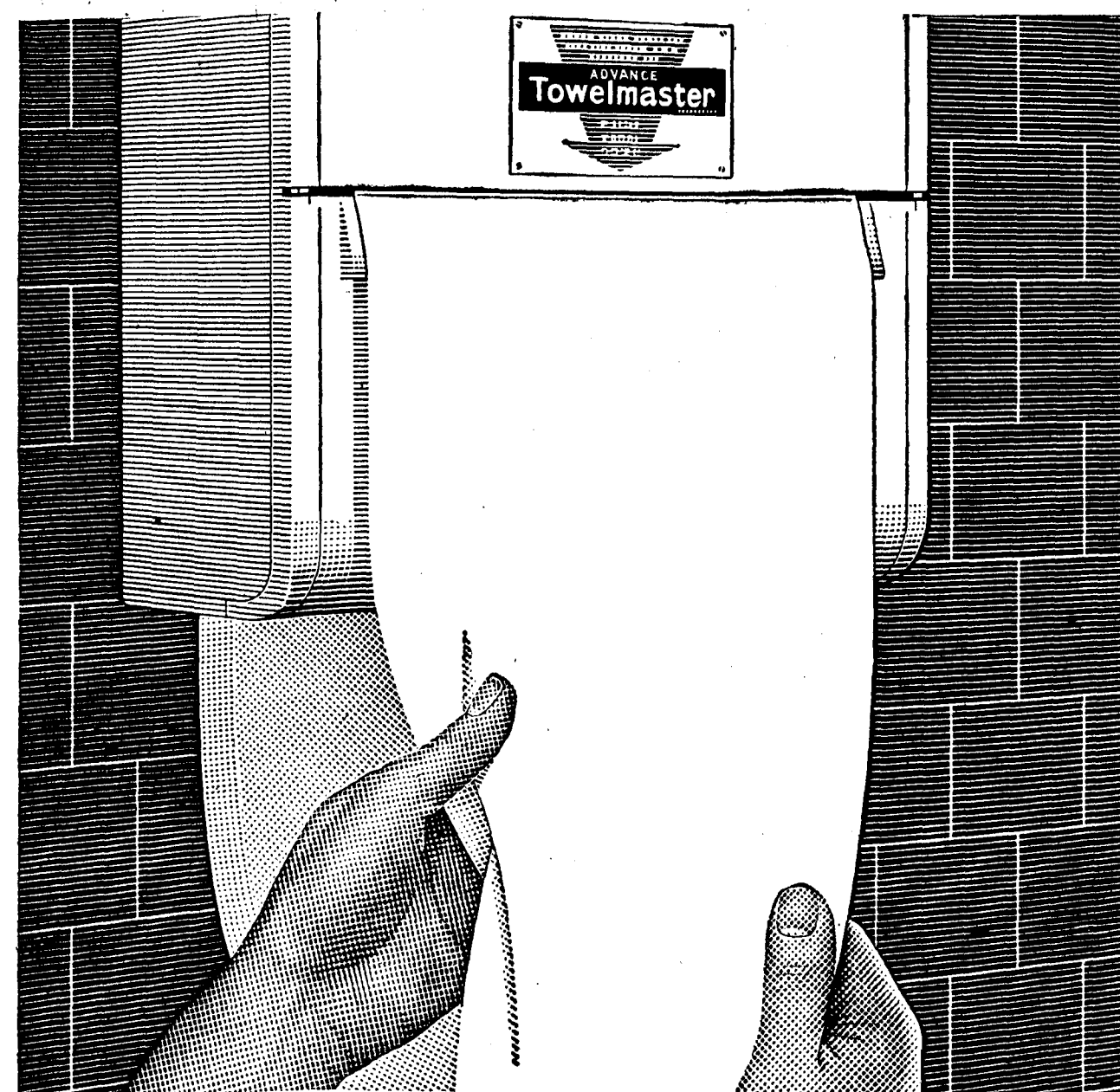
NEW ZEALAND NOW: *Second edition*. By Oliver Duff. Allen and Unwin. 139 pages. 12s. 6d.

AGRICULTURE IN THE WORLD ECONOMY. Food and Agriculture Organisation of the United Nations, Rome. London: Her Majesty's Stationery Office. 82 pages. 5s.

THE STOCK EXCHANGE OFFICIAL YEAR-BOOK 1956: *Volume I*. Thomas Skinner. 1,750 pages. Two Volumes: £8.

BRITANNICA BOOK OF THE YEAR 1956. *Encyclopaedia Britannica*. 536 pages. From £4 4s. according to binding.

PUBLIC CAPITAL FORMATION IN AUSTRALIA: *Estimates 1860-1900*. By N. G. Butlin and H. de Meel. The Australian National University, Canberra. 226 pages. No price given.



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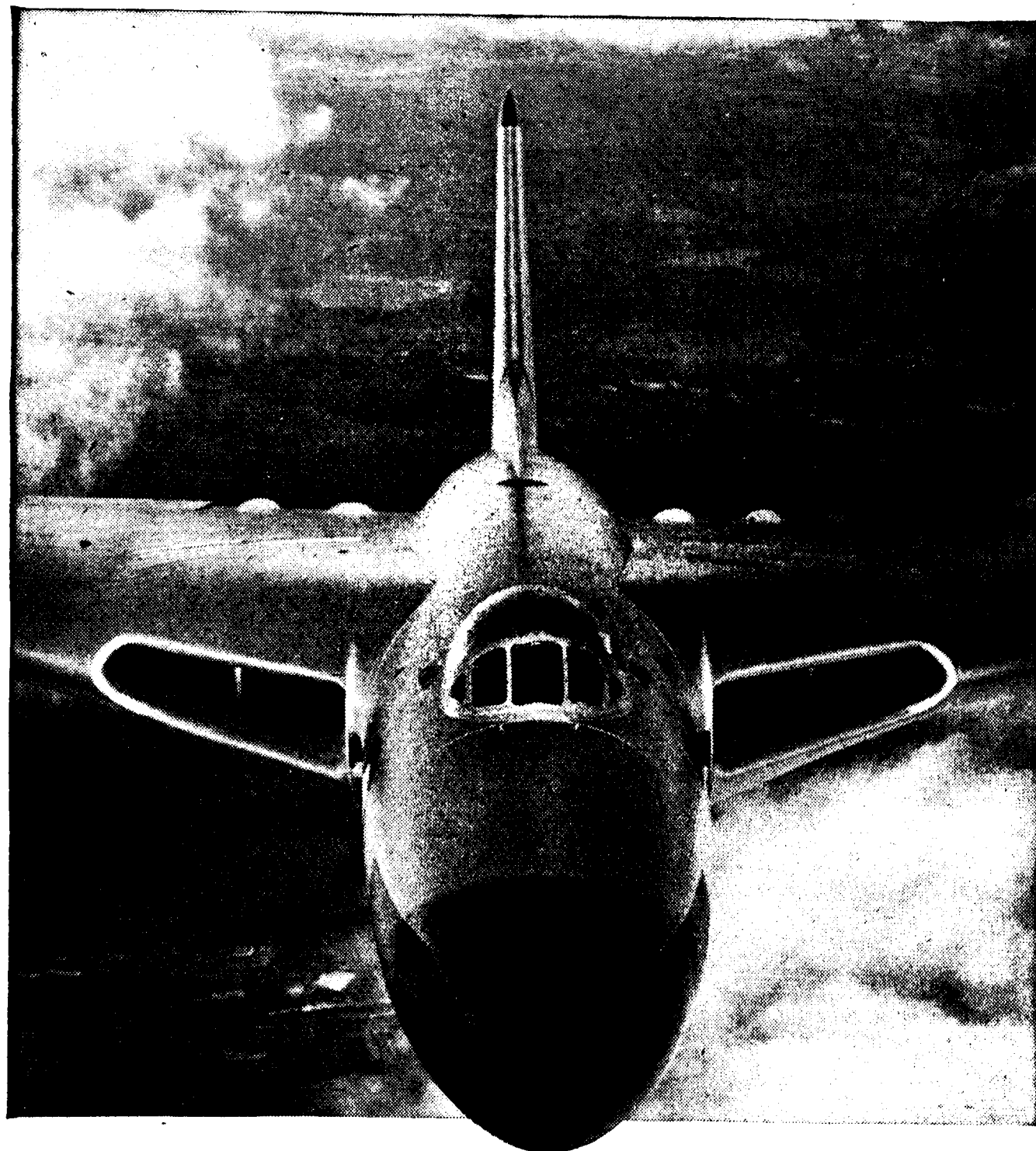
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American Survey

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.

Inside Story

Washington, D.C.

PRESIDENT EISENHOWER'S "bellyache" may be less of a medical worry than his heart attack, but it comes at a more awkward moment. When he was last out of action Congress was not in session and there was a general lull in developments abroad. Now he has gone back into hospital just as his leadership has suffered a sharp rebuff in the House of Representatives and amid a cluster of disturbing signs that American foreign policy is wilting from lack of lucidity at the top.

The first important meeting the President had to miss was one with the leaders of both parties in the Senate; he had hoped to persuade them to put back part of the \$1.1 billion which the House had just sliced off next year's foreign aid programme in spite of his direct appeal against such a cut. Nor is this the only legislation that is thrown into danger. In an election year Congress likes to pack up early and the four to six weeks of the President's convalescence will coincide with the period in which legislative measures of special importance to him will perish if they are not pressed.

Even more serious is the unhappy vagueness in which his enforced absence leaves American foreign policy. For this the President himself was partly responsible. Two days before he was taken ill he tried at his press conference to remove the fuzziness about military pacts and neutralism which had come over Congress. But for once his briefing system broke down. Although over 80 per cent of the cut in foreign aid had been made in military assistance because the House Foreign Affairs Committee had the impression that the European members of the North Atlantic Treaty Organisation had ceased to take their military obligations seriously, Mr Eisenhower spoke as if the main difficulty was over economic aid to neutrals. In an unprepared speech before questions began, he outlined what appeared to be a new American doctrine on the subject of neutralism, but one which unfortunately had not been cleared with the State Department.

After recalling that the United States had been neutral for a century and a half, Mr Eisenhower made two points. The first was that the existence of neutrals might even turn out to be to America's advantage since an attack on such a country would outrage world opinion more than would any trouble involving a member of a military pact. The White House promptly retracted the implications of this naïve observation, but Mr Eisenhower's further point was taken more seriously in Washington because it seemed in line with earlier official ruminations. He insisted that the term "neutral" when used in connection with military

alliances must not be confused with neutrality "as between right and wrong or decency or indecency." He added that on Saturday the Secretary of State would "etch [the details] clearly in simple form for us so that we can all understand exactly what it is we are trying to do." On Saturday Mr Dulles obliged. He said that

the principle of neutrality, which pretends that a nation can best gain safety for itself by being indifferent to the fate of others . . . has increasingly become an obsolete conception and, except under very, exceptional circumstances, it is an immoral and shortsighted conception.

Mr Dulles had doubtless remembered that the next guest due in Washington was not Mr Nehru but Dr Adenauer and that the foreign aid programme had been cut primarily because of the failure of German divisions to join the Nato forces. The immediate need for a fit and vigorous President to give decisive shape to American policy was thus dramatically displayed at the very moment of Mr Eisenhower's physical collapse.

★

It would be less necessary to insist on the unavoidable effects of his second illness were it not for the over-zealous efforts of doctors and politicians to prove that no one could be fitter than he for another four years in the highest office. No sooner had the President been operated upon than a stream of assurances was passed out to the waiting newspapermen that he would be able to stand for a second term, that he would be playing golf again in mid-August—this tends to be treated as a standard of his ability to run the country—and that he would be in better condition as the result of the illness than he was before. Since this was also said about his heart attack it not unnaturally provoked the comment that it would only require an ulcer to make Mr Eisenhower immortal. As before, Mr Adams, the President's Chief Assistant, and Mr Hagerty, his Press Secretary, moved into the hospital and smoothly began to demonstrate that the President was still at the helm.

All discussion of this subject is of course bedevilled by the fact that the Republicans do not think they can win the next election with any candidate except Mr Eisenhower. It was bad enough last September, but there would now be less than five months in which to build up any conceivable successor into a national figure. In these conditions the candidate would probably have to be the Vice President, Mr Nixon, but even many of his admirers admit that, utterly unwarranted as they feel this to be, he does arouse

a degree of dislike that amounts almost to revulsion among far too many people.

On the Democratic side the presidential nomination has become much more worth having just as Mr Adlai Stevenson has eliminated Senator Kefauver. But on Saturday, the day after the President fell ill, Governor Harriman of New York threw his hat in the ring—literally, since he was at the convention of the Hatters' Union, replying to an appeal by another labour leader that he take himself out of Mr Stevenson's way. At the nominating convention Mr Harriman will have some ninety-four votes from New York delegates and some support from the Rocky Mountains, where his father built the Union Pacific Railway. A great unanswered question is whether he has any assurance that he will be able to pick up votes that have been pledged to Mr Kefauver. Mr Stevenson's managers tend to think that their candidate's real danger is not that he will be defeated by Mr Harriman, but that a deadlock will be created between them, to the benefit of a compromise figure such as Senator Symington.

In any case the Democrats are a long way from being out of the wood. The President may well find it morally impossible to let his party down by withdrawing, and many Americans would then probably give him their votes as a present to make him feel better and to rebuke those who had the bad taste to talk about his condition. Moreover, both parties might be wrong in thinking that no other Republican could win. Mr Stevenson is at his wits' end to find an issue that is both worthy of him and attractive to the voters. They are bored with foreign policy, civil rights for Negroes will probably blow up in the Democrats' faces at their convention, and the embers of the farm revolt seem to be flickering rather low.

Yankee, Go Home!

TO support its impassioned plea for more giant bombers capable of flying from the United States to an enemy target and back, the Strategic Air Command has been arguing that America's foreign bases are becoming less and less secure. Recent developments in such widely scattered places as Iceland, Morocco and the Philippines appear to substantiate this analysis. Iceland formally notified the United States this week that it was seeking a revision of the defence treaty of 1951 with a view to obtaining the withdrawal of American forces. It is still possible that the Icelandic elections, due on June 24th, will lead to the reversal of a policy voted by parliament in March, but it is unlikely. Consequently, some 4,500 airmen and army personnel may be compelled to leave vital strategic installations built at a cost of \$150 million. Not only would this evacuation seriously imperil the North Atlantic Treaty Organisation's northern defences and the American outposts in Greenland, but it might encourage other reluctant hosts to follow Iceland's heady example.

The situation in Morocco is somewhat less urgent but even more complex. Under agreements negotiated with France in 1950, the United States set up four Air Force bases, a naval air base and a radar system extending from north of Oujda to Marrakesh—at a total cost of more than \$450 million. Now that France has recognised Moroccan

independence, the status and future of these installations are in doubt. The Moroccan government is saying that no previous pacts concern it and that the United States must negotiate directly with Rabat. While maintaining that it has bought the land involved, the French government seems prepared to support the Sultan's position. It is probable that the Moroccans will want a large annual payment in exchange for American use of the bases, but up to now the State Department has been strongly opposed to "rental" arrangements of any kind. The problem of sovereignty and of the precise status of American installations in a recently established nation is also arising in the Philippines. President Magsaysay is asking that American claims of sovereignty over Philippine stations be replaced by a long-term leasing agreement.

There are, however, two foreign areas from which American strategists can draw comfort. Shortly before leaving for the United States, Dr Adenauer announced that the Federal Republic would contribute part of the cost of maintaining American forces in western Germany for another fiscal year. Although the amount, about \$140 million, is only a third of the contribution made in the last fiscal year, it represents a useful compromise. Finally, there were indications that American forces might acquire two or three more bases in Spain—the one place where the Department of Defence feels that there is little risk of eviction.

Boom in Plans

FROM A CORRESPONDENT IN NEW YORK

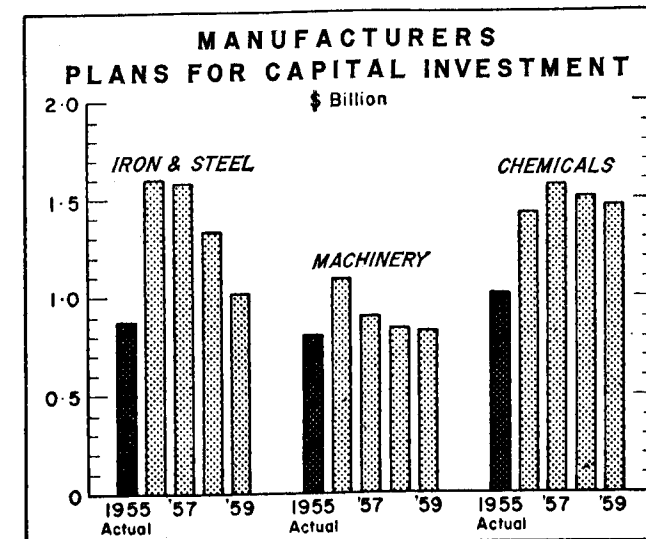
UNLESS the President's latest illness makes businessmen pull in their spending plans, their outlays on new plant and equipment in the third quarter of this year will reach the record annual rate of \$36.7 billion. These expenditures should therefore do even more to offset the expected decline in economic activity during that quarter than they did to counter the effects of the soft spots in automobiles and housing during the earlier part of the year. This latest survey of spending plans, which comes jointly from the Department of Commerce and the Securities and Exchange Commission, confirms the more detailed findings of the similar but broader survey conducted in April and early May by the Department of Economics of the McGraw-Hill Publishing Company.

The McGraw-Hill survey covers a very wide sample of industrial companies and examines their programmes as far ahead as the end of 1959. It provides data not only on plans for investment, but also on how companies expect this investment to develop, in terms of future capacity, future sales, introduction of new products and stability of output. This is, therefore, a summary of business thinking about prospects for the next four years. It suggests that capital investment, in new factories and other productive equipment, which has traditionally been the most unstable element in the United States economy, may well turn out to be the most stable in the years ahead.

The first, and most important, fact reported is that businessmen now plan to continue spending on new plants and equipment at an extremely high level until 1960. The sharp rise in capital investment which began in 1955, and has continued strongly into 1956, is only the start of a long

term trend. Plans for 1957 already amount to \$39 billion, about the same as for 1956, and far above the \$30 billion invested in new plants during 1955. In the past McGraw-Hill surveys have always shown a sharp drop in plans for the more distant years—indicating a lack of definite intentions—but there is no such decline in the preliminary plans for 1958 and 1959, which are also far above 1955.

This may reflect a need for larger investment than in



earlier periods, or a greater tendency to plan ahead. Apparently both factors exist. Companies covered by the survey are increasing their research activity greatly, and as a result new products and processes are likely to be introduced with great rapidity. Nearly a third of the firms are devoting a significant share of their 1956 capital investment to new products, and probably two-thirds are installing new cost-reducing processes; this turnover of products and processes is expected to increase in the years ahead, and will obviously require new investment of a continuous nature. As a consequence, many more concerns are now planning on a long-range basis. Almost 90 per cent of the companies surveyed by McGraw-Hill this year were able to give investment plans as far ahead as 1959, compared with less than 50 per cent in a similar survey in 1948. In many individual companies and industries—including the oil and electricity industries, and a wide variety of manufacturing firms—the peak for such capital outlay is planned, not for 1956, but for one of the next three years. McGraw-Hill also surveyed the makers of capital goods, who report that, for the first time they can remember, customers are asking for steady delivery of machinery over four or five year periods, instead of bunching all orders into a single boom year.

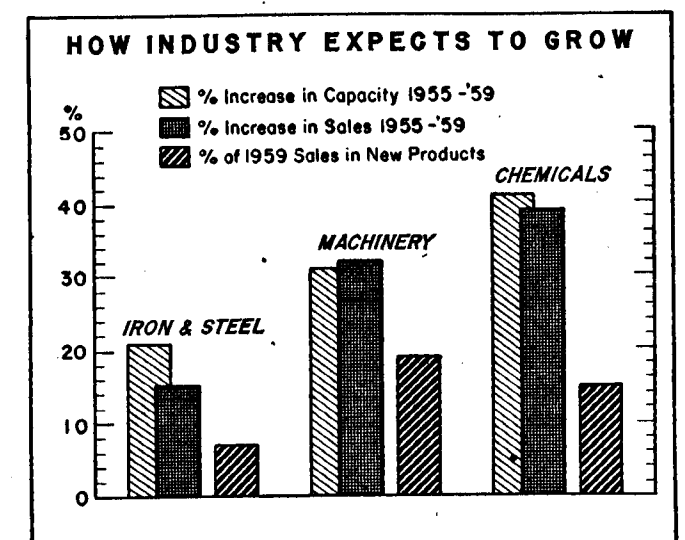
It is in manufacturing industry that the changes in technology, the drive for new investment and the increasing tendency to plan ahead all show up most clearly. Manufacturing companies, as a group, plan to increase capital investment by 48 per cent in dollar terms in 1956 over 1955 and to maintain or increase spending again in 1957, and probably in 1958 and 1959 as well. In physical terms, manufacturing industries will increase their capacity by 8 per cent in 1956, and by an estimated 18 to 20 per cent in the following three years. They expect total sales of manufactured goods to increase by 24 per cent between 1955 and 1959, with at least half the increase coming from new products. The largest increases in capital investment

this year will be in the automobile industry (up 81 per cent to \$2 billion) and in steel and chemicals. Tremendous expansion is also under way in the aluminium, pulp and paper, rubber and cement industries. The automobile industry is expanding its assembly lines, to avoid the expensive overtime required in 1955, and also the supporting plants which manufacture components. Moreover the automobile industry is spending large amounts this year on facilities for new models, and on even more automatic processes.

Some observers question whether the car makers will, in fact, need all the new equipment they have planned, now that automobile demand is running behind their original estimates. The same question might be asked about expansion in other lines. Total manufacturing capacity is now almost 50 per cent greater than before the Korean war, and another 15 per cent in the next two years—as indicated by this survey—might be a great deal to absorb. Admittedly, at the end of 1955, many companies had too little capacity in reserve to feel comfortable, but excess facilities will appear soon enough should business slacken any further.

The answer to this question may be found in the supplementary survey which McGraw-Hill conducted among the makers of equipment. This showed no great pressure to hasten deliveries. In fact, the impression is that much of the new capacity scheduled for 1956 and early 1957 may actually be delivered somewhat later. As already noted, companies are thinking in terms of programmes spread over three or four years, without much emphasis on the near-term dates. In the case of heavy equipment, such as that for the steel industry, there are serious shortages of items like heavy steel plates and forgings, large electric motors and roller bearings, which will mean delays in any case. If equipment deliveries are stretched out, expenditure in 1956 will be less and in the succeeding years somewhat more. The problem of sudden excess capacity will not then occur to the same extent.

The plans of manufacturing industry, for the entire four-



year period from 1956 to 1959, show a total increase in capacity that is roughly in line with the trend of sales. This is a very different situation from that in the late nineteen-twenties, when capacity was expanded in a manner that could not have been justified by the wildest sales forecast. It would not be surprising if some construction is slowed down in the next few months, particularly in the motor

industry, but in general these adjustments may be no greater than would in any case have been necessitated by the tight supply of materials. It is important to remember that only about half of all capital investment is going for expansion—the rest is for modernisation, dictated by the rapid pace of technical advance. Of the amount invested in expansion, again perhaps half is for the development of new products or processes. This imparts a stability to the present rate of capital investment which would not be found in an economy with less interest in innovation.

More Power to Them

ONCE again the perennial debate between the proponents of public or private financing of electric and nuclear power is obscuring an important issue of policy. The Joint Committee on Atomic Energy has been holding hearings to determine whether present plans for the development of atomic power for peaceful uses are adequate or whether the United States is falling seriously behind Russia both in the technology and the actual building of reactors. A group of Democratic Congressmen, led by Senator Gore of Tennessee and Representative Holifield of California, think that a "crash programme" is needed if the American lead is to be maintained or even if the United States is to keep up with the Soviet Union. Mr Gore believes that the United Kingdom may also be forging ahead of the United States in the design and construction of reactors both for use at home and for export. Consequently, he has put forward a Bill authorising the Atomic Energy Commission to spend between \$500 million and \$1 billion for the construction of six nuclear power plants.

Mr Strauss, the chairman of the AEC, flatly opposes this scheme on the ground that America—with its reserves of natural fuel—does not need to engage in a "kilowatt race" with Russia. Moreover, he argues that a "crash programme" financed out of public funds would lead to the construction of uneconomic and already obsolescent types of reactors and would divert resources and scarce manpower from research. Mr Strauss asserted that the United States was still well ahead of all other countries in the development of peaceful uses for atomic energy and promised that the AEC would continue to build experimental prototypes of every promising reactor in order to find "the safest and most economic." All Mr Strauss wanted from Congress was that it should provide some form of government insurance against accidents in nuclear power reactors and that it should take steps to overcome the drastic shortage of engineers and technicians.

As the hearings developed, however, these complex issues were overshadowed by politics. Democrats and labour leaders lined up behind Senator Gore, while Republicans and industrialists accused him of trying to "nationalise" electricity. As if to disprove Mr Gore, the privately owned electricity companies set up a nuclear "task force" and announced that they had, to date, put aside over \$300 million to design and construct atomic power plants with a total capacity exceeding 1.1 million kilowatts. Simultaneously, the AEC signed its first actual contract providing federal funds to help a private firm—the Yankee Atomic Electric Company in New England—to build and operate a plant generating electricity from atomic fuel. Finally, President

Eisenhower added another \$112 million to the \$1,816 million he had already asked Congress to appropriate for atomic energy in the fiscal year starting July 1st; the additional money is to accelerate the development and production of nuclear weapons and of atomic power plants for civilian use.

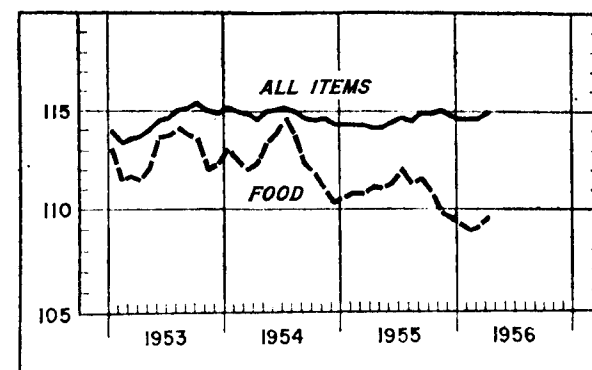
Petrol Century

THE "100-octane petrol" campaign, which has just started in Britain, began in America last February. First to claim its century there was the Sun Oil Company, which installed in its service stations in Florida a pump dispensing five grades of petrol, blended on the spot to suit the motorist's exact requirements. An answer to this challenge soon came from the Esso Standard Oil Company, which introduced this month a new top-grade petrol, sold as an addition to the company's existing premium and regular grades. The new "Golden Esso-Extra" has an octane number of over 100 (research rating), and sells in New Jersey for about 32 cents a gallon. This compares with 29 cents a gallon for the existing premium grades which have an average quality of about 97 octane. The motorist is thus expected to pay an extra 3 cents a gallon for the privilege of calling at the golden pump. The Socony Vacuum Company, unwilling to break away from the traditional two grades of petrol, has countered by raising the octane numbers of both.

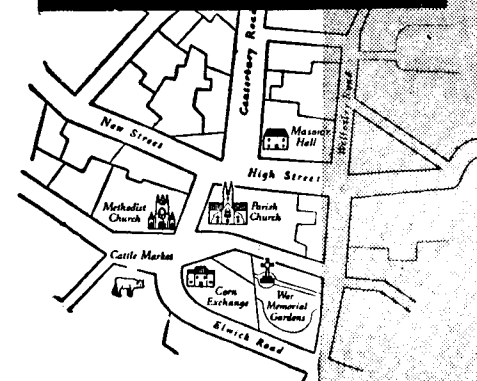
Esso contends that 20 per cent of the 1956 cars cannot give their best performance even on the present 97 octane premium petrol, and that by 1960 half of the cars on the road will need higher quality petrol than is now available. But if only two grades were sold, and the quality of the top grade increased, many motorists who do not need the higher quality fuel might be forced to pay for it. The three grade system also means that, since less of the very top quality has to be produced, refinery costs can be kept down. Similar thinking is behind the Sun Company's innovation, but Esso claims that it is cheaper to blend new grades of petrol at the refinery than at the pump. Socony Vacuum, by keeping to two grades, avoids the expense of new special pumps, which both Sun and Esso have to install.

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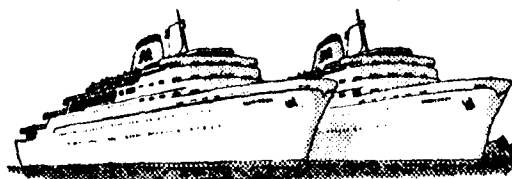
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Crowded Channels

Washington, D.C.

IN the past television has brought congressional investigations into the homes of millions of viewers. Now the television industry itself is being investigated and studied by no fewer than three congressional committees, the Federal Communications Commission and the Department of Justice. The major networks are being charged with exercising an "economic stranglehold" on the entire industry. But what lies behind this alleged monopoly is one of the most baffling problems faced by both the industry and the government—nature's perverse refusal to supply enough proper radio frequencies for television and all the other uses to which frequencies are put. More precisely, the problem is not the absolute lack of frequencies but the complete failure of the government's previous efforts to find a way of making enough of them available to television.

★

When television first began, a decade ago, the Federal Communications Commission allotted it twelve channels in the so-called "very high frequency" (VHF) range. Transmissions in this range have an unpredictable habit of penetrating beyond the horizon and a station may have a radius of as much as 150 miles, depending partly on the height of the transmitting tower. Automatically, this situation created a limit to the number of frequencies that could be apportioned to individual cities without causing interference. The problem is most acute in the crowded eastern part of the country where a town such as Bridgeport, Connecticut, with nearly 200,000 inhabitants, is in the radius of interference of Philadelphia, Schenectady, New York City and New Haven. Consequently Bridgeport could not be allowed to share even one of the twelve channels. And if one were allotted to it at the expense of New York, this would not only deprive New Yorkers of some of their choice of programmes but might also deprive Bridgeporters as well. For at the moment they can receive almost all of the New York channels on their sets, and there is much doubt whether a local station could survive the competition. In short, with a twelve-channel VHF system, there is an insoluble conflict between two major objectives: variety and competition for as many viewers as possible among programmes on the one hand, and, on the other, local broadcasting to encourage community interests.

Five years ago, the FCC thought it had found the answer to the dilemma. It opened up a band of 70 frequencies in the "ultra high frequency" (UHF) range for television and scattered new UHF allocations among 1,240 communities. Most of the cities which already had VHF channels got additional UHF ones. Moreover, the commission set

aside a number of these new allocations, particularly in the larger cities, exclusively for educational television, to be sponsored by non-profit organizations. Theoretically the system was ideal. Each community of any size could have at least one local station, and all could have more variety.

But there were two flaws. First, UHF is technically inferior to VHF in that a given transmitter invariably reaches fewer homes and reception is often bad. Second, and more important, people with VHF sets would not pay the \$50 to \$100 needed to convert their sets to receive UHF. Without conversion there is no audience, and with no audience there are no advertisers. The results have been dismal. Of some 325 applications for UHF stations approved by the FCC, only 95 have resulted in stations that are still on the air. The applicants in 170 cases decided that wisdom was the better part of valour and never built the station; another 58 made the effort but have since gone out of business. Many of the 95 still operating are in an extremely shaky condition. Realists have arrived at a simple rule of thumb: no UHF station is likely to succeed if people in its viewing area already have available two or more VHF channels.

The failure of UHF would be bad enough, but there is another fundamental problem. For television, like radio, operates under a network system, in which the contents of programmes are supplied by a central organisation in New York. Local affiliates are theoretically free to accept or reject network programmes, but since they are the best (or at least apparently the most popular) they are seldom turned down, particularly during the best viewing hours in the evening. But as half of the country's largest centres of population have only two channels, and as there are two strong networks with affiliates in all of them, the operation of a third or fourth network, which everyone considers desirable, is under a formidable economic handicap. Already one of the original four networks has collapsed, and the third, the American Broadcasting Company, is only barely managing to keep its head above water.

Many solutions are proposed for this problem, but most are wildly impracticable for one main reason: they would require millions of viewers, who are now reasonably satisfied with what they have, either to convert their sets to UHF or to lose one or more of the channels they can now watch. The one formula with a possible chance of success bears the ominous name of "non-disruptive deintermixture." It might make possible as many as a score of UHF "islands" in a VHF sea.

★

If it is granted that UHF as a nationwide system is already dead, probably the best proposal to improve the present structure comes from those who would find a way of providing perhaps another twenty-five VHF stations out of the present twelve channels. This could be done partly through the use of directional antennae to cut down interference. One plan, for example, would increase from 52 to 84 the number of leading centres of population that could have at least three competing stations. By putting into commercial use the VHF channels previously reserved for education, the ideal of competition could be achieved in nearly all the 100 major centres which have 85 per cent of the country's homes. Obviously such a plan would greatly improve the chances for survival of the American

Broadcasting Company and would broaden the choice of programmes for millions of people.

Outside of this plan—which would make no contribution whatever to the other objective of more local programmes—the only hope appears to be in the allocation of more VHF channels to television. This means taking them away from the military services. Here again, it would be necessary to convert sets, but at a lesser cost than for the reception of UHF. Furthermore, manufacturers could easily switch to 15- or 20-channel VHF sets without much additional cost and eventually, it is hoped, all sets would be able to receive all channels. With this kind of system, every community of any size could have at least one channel without any problem of interference.

All of these matters are now before the FCC and are being watched closely by fully half the members of Congress whose constituents will be affected by the outcome. Whatever emerges from the proceedings, it now seems almost a foregone conclusion that the great experiment of UHF has been a failure. The 36,000,000 families who have television sets have exercised their inalienable right not to pay money to be educated or to have their local communities more fully represented in the television spectrum.

English-Speaking Affairs

NOWADAYS the American programme for foreign aid usually seems to be considered newsworthy only during the annual arguments over the quantity of dollars which the American taxpayer is to provide and during the equally regular criticisms of the use which is being made of those dollars. As a result the general public in Britain and elsewhere is seldom reminded of the constructive generosity which inspired, and still inspires, the programme or of the many good things, more lasting than dollars, that have come out of it. Nor does the average Englishman realise the extent to which foreign aid has been changed from an emergency scheme into a permanent American undertaking. This second point is hardly brought out enough in the survey¹ of foreign aid which has just been published under the joint auspices of the English-Speaking Union and the British American Associates. But there is much timeliness in a pamphlet which, in twenty factual pages, explains the development of ten years of foreign aid, from the Marshall Plan through the Korean War, when aid became mutual, up to the moment when military co-operation seemed to have achieved its purpose of containing Russia's armed strength and when technical assistance began to counter the alternative Soviet bid to dominate the backward areas of the world with ploughshares instead of guns.

Another survey,² about to appear from the same group, is of a simpler type but also serves admirably the purpose of collecting together background information which is otherwise to be found only in a number of different sources. In compressing the essentials of the United States into "a pocketful of facts," a few have inevitably been a little distorted and a few squeezed out. Nevertheless this

¹United States Aid to the World 1945-55. The Commonwealth-American Current Affairs Unit, 37 Charles Street, London, W.1. 1s. 3d.

²USA in Brief. 1s. 6d.

pamphlet would be a very suitable introduction to put in the pocket of any Briton visiting the United States for the first time. But as long as exchange restrictions prevent most ordinary Britons from visiting the United States for the first or any other time, the introductions have to be performed on this side of the Atlantic. For the last three years the Commonwealth-American Current Affairs Unit has been supplying a solid factual basis for Anglo-American understanding, something which, rather surprisingly, is not provided by any other body in the same easily available and unpretentious way. It would be a pity if, through lack of funds, the unit had to be closed down or absorbed in some other organisation which could not give such concentrated attention to the educational work.

SHORTER NOTES

The National Association for the Advancement of Coloured People has been banned in Alabama, on the ground that it has caused "irreparable injury to the property and civil rights" of the people of the state by helping to organise the boycott of buses by Negroes in Montgomery and by "employing" two Negro women to seek admission to the all-white state university.

★

The Senate has passed a Bill, which has still to be considered by the House, which imposes new and much stiffer penalties for possessing, smuggling or trading in heroin, the drug which is said to be used by 80 per cent of all addicts in the United States. The Bill makes it possible for the death penalty to be imposed on people who sell heroin to juveniles or who are convicted for the third time of peddling the drug.

★

Preliminary results of the latest survey by the New York Stock Exchange indicate that there are now about 8 million shareholders in the United States, compared with 6,500,000 early in 1952. Over half are women and on the average each holds shares in four different companies.

★

The Secretary of Agriculture has now decided, after further study of the new Farm Act and a certain amount of pressure from Congress, that this year farmers whose crops suffer from drought or other natural causes may benefit from the soil bank scheme, as well as those who plough under crops already planted. Next year farmers will not be eligible unless they leave land actually idle and crops unplanted.

★

The State of Louisiana has won the latest round in its dispute with the United States over whether its offshore boundaries is three leagues, about 10½ miles, out to sea as the state claims or 3 miles as the federal government argues. The question is pending in the Supreme Court, but meanwhile the Department of the Interior has been obliged to put off leasing potential oil-bearing tracts in the area under dispute by an order made in a state court.

The case of *Leptinotarsa decemlineata* . . .

To farmers in many countries of Western Europe the result of an all-out attack of Colorado Beetle needs no description. It simply means no crop. In Switzerland, for instance, where this pest has long been a major problem, it is virtually impossible to grow potatoes without effective insecticidal protection.

Both the adult beetles and the larvae feed continuously on the foliage throughout their lives; the adults emerging from the soil in May are the first of several annual generations.

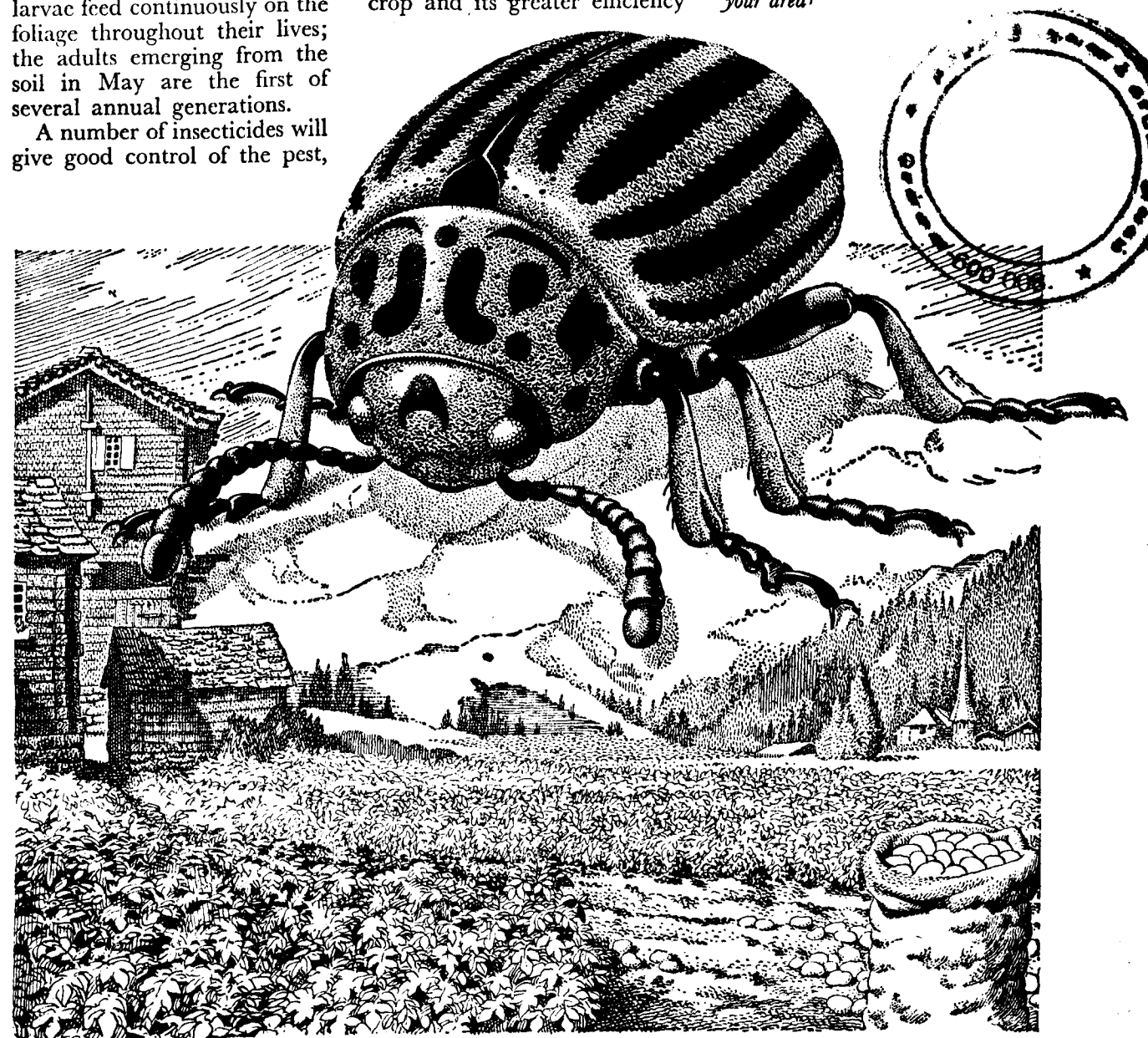
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The World Overseas

German Eyes on Moscow

FROM OUR SPECIAL CORRESPONDENT IN BONN

DR ADENAUER'S negotiations with M. Mollet at Luxemburg, successful as they were, have given rise not to the wave of satisfaction that might have been expected over the recovery of the Saar, but to a fresh burst of argument about the federal government's dealings, or lack of dealings, with Russia. This was set off by Dr Adenauer's indignant report when he got back from Luxemburg of what the French delegation there reported Mr Khrushchev to have said about German unity during M. Mollet's visit to Moscow. In the ensuing disturbance the real step made towards German unity through the impending return of the Saar has been almost forgotten.

Even if Dr Adenauer's version of Khrushchev's words had not at once been corrected by M. Pineau, the Chancellor would inevitably have been assailed at once with demands that he should use the existing diplomatic machinery between Bonn and Moscow to find out the Soviet government's view for himself. German feelings about reunification are too sensitive, and the German refusal to admit the division of the country as final too intractable, for a simple "Nyet" to be accepted without question—all the more when the Nyet is a party political weapon in the Chancellor's hands. As it has happened, the Russians themselves have found ways of feeding the discontent of German opinion with complaints that the Chancellor, not they, is to blame for the failure to make use of the newly-laid wire between Moscow and Bonn. Mr Zorin, who dines out a good deal, has been making his dissatisfaction with the federal government's studied disregard of him widely known in Bonn.

At the same time a special correspondent of the Munich *Süddeutsche Zeitung* has returned from Moscow with a notebook well-filled with conversations with important Russians. The correspondent, Herr Kempfski, made his own inquiries about what Khrushchev had told Mollet, and reports that it was "he would rather have twenty million Germans on his side than seventy million in a unified Germany which, though neutralised, was politically anti-Soviet." This corroborates M. Pineau and differs from Dr Adenauer's version. The difference may seem a fine shade, but it acquires significance for Dr Adenauer's German critics when it is taken together with the charges of intransigent hostility which Mr Semyonov and his colleagues are levelling against the Chancellor.

As Herr Kempfski reports them, these amount to a refusal on the West German side to act in the spirit of the agreement reached between Dr Adenauer and the Russians in September. Semyonov, a deputy foreign minister and former

High Commissioner in Germany, complained to Kempfski that the federal government had done nothing to fulfil its promise to begin talks on a trade agreement and on a cultural agreement, nor had there been any sign of the "policy of relaxation of tension" to which both sides in the Moscow talks had agreed. Herr Kempfski reported other complaints from Moscow. Thus, the West German ambassador in Moscow, Herr Haas, and his staff were studiously avoiding not only political contacts but every other contact, even of the most non-committal kind, with the Russians. Bonn was putting difficulties in the way of Soviet citizens wishing to visit West Germany. Applications for visas were not being granted until the time for the visit was past, a practice of which the Russians are good judges. The talk (to which, as it appears, the Russians attached more than casual importance) of an invitation from the Chancellor to Mr Bulganin to visit Bonn seemed to have been forgotten. Finally Dr Adenauer, from his utterances, evidently continued to regard the Soviet Union as a deadly enemy. All these things appear to have caused a decline, comments Herr Kempfski, in those political forces in Moscow which expected from the assumption of diplomatic relations an important change in relations between Moscow and Bonn; so that the Russians now more than ever put all their hopes on Herr Ulbricht.

In this mood the well-known Soviet thesis that unity is a matter for discussion between the two German governments themselves is stated in Moscow with more emphasis than ever. First, Herr Kempfski was told, Bonn must normalise its relations with East Berlin; but this alone will not create the conditions for unity, there must then be a period in which, in "an improved political climate," the East Zone régime can strengthen itself politically and economically to a point at which there can be no question of West Germany simply "swallowing" or "mechanically absorbing" the German Democratic Republic. This is the guarantee against future German hostility in which the Soviet leaders are interested far more than in any neutralisation by treaty. The prediction was offered to Herr Kempfski that the day would come when things would be going so well in the East Zone that the German Democratic Republic would be able to offer free elections, and "Adenauer's successors" would be afraid to accept.

If this is an accurate statement of Soviet intentions towards Germany, it gives new fuel for the unending debate on all-German policy. Dr Adenauer's critics are divided about the first step they would take—whether to explore

further in Moscow, or to press for a reformulation of German policy by the western powers, or to take the bull by the horns and talk to East Berlin. Dr Dehler, the Free Democrat leader, suggested the last course in a speech at the weekend, though he clung to the idea that talks could be undertaken without actually recognising the East Berlin rulers as a government. Such recognition would be universally distasteful. Reluctance to contemplate it is struggling hard with the fear that there may be no other way to German unity. The pressure for an all-German initiative from Bonn is strong. A glimpse of the Russian programme for German unity will not stop its growth; West Germans will allow themselves to hope that communist calculations of the political strength of Herr Ulbricht's regime will in the end prove false. But—as Dr Dehler's proposal shows—the pressure for talks has not yet reached the point at which the German parties are prepared to face squarely the decision to recognise, or not to recognise, the East German regime as a government. The advocates of talks still hope that there may be a way round, to give them the best of both worlds.

The Khrushchev Version

WESTERN readers can now follow Khrushchev's journey through the Stalinist night in detail. But for the Russian public, apart from the initiated few, the speech delivered four months ago behind closed doors still remains a secret. This difference is no mere accident. It must have been considered that the Soviet masses were not ready for such a shock without anaesthetics. For the Western observer there is little new in this confession beyond the admission of facts for so long denied. Anyone who wanted to make the effort could study the seamy side of Stalinism in, say, Mr Deutscher's biography. Even for the western communist the real blow is that outsiders had been telling him the truth and that the big lie came from his own party. But for millions and millions of Russians these revelations are new and fantastic. They will shatter a whole conception of history and life; they may lead to a tremendous revision of hitherto accepted values.

Even the 1,400 delegates to the Soviet party congress were probably not really considered ripe for such hammer blows and something unknown but dramatic must have precipitated Khrushchev's outburst. On February 14th, in his official report, he delivered a mild attack on the "cult of the individual," merely removing the lamp burning before Stalin's ikon. Ten days later, in his marathon indictment, he proclaimed that incense had really been burning before the evil spirit of the Soviet Union. Three-quarters of the audience were people under fifty; a quarter were under forty. All had been brought up in the cult of Stalin. For the younger ones his official biography and the "Short Course of Party History" were the only source of Soviet history, the quintessence of political knowledge.

As a prelude Khrushchev declared that this fountain was a poisoned one. Stalin assumed in these books entirely false postures for the benefit of the masses and of posterity; he himself directed the limelight on to his own person. The delegates to this congress had had no doubt that Stalin was Lenin's legitimate heir, that he actually was "Lenin now." But Khrushchev produced the long-hidden "testa-

ment," in which Lenin had requested Stalin's removal from the key post of Secretary-General. To remove Lenin's mantle completely, he then read a letter from Krupskaya, Lenin's wife, who, incensed by Stalin's rudeness, appealed to—of all people—Zinoviev and Kamenev, two men who up to then had been known to the listeners as vile traitors who were justly sent by Vyshinsky to the execution squad.

Each paragraph in this seemingly rambling, interminable speech must have increased the disarray of the audience. Was Stalin a friend of the people? He had not visited the Russian countryside since 1929 and knew it only through the distorting prism of eulogistic Soviet films, in which peasant tables "threatened to collapse under the weight of geese and turkeys." Was Stalin the hero of the war against Germany? On the contrary, according to Khrushchev, he toyed with the globe instead of studying the map and courted disaster. He did not prepare the country for the conflict, he paid no heed to warnings of an impending attack (those of Sir Stafford Cripps are now admitted) and he weakened the Red Army by the wanton execution of its leading officers. It is now recognised that the victims were not guilty of treason; this was demonstrated by the survivors who, like Marshal Rokossovsky, left a concentration camp at the beginning of the war to win laurels on the field of battle.

Generals were not the only innocent victims of Stalin and here came what was probably the most shattering confession. Stalin's blood baths, hitherto presented as purges salutary for the health and growth of the Soviet body politic, are suddenly shown as a result of Stalin's prosecution and persecution mania. He was right, in Khrushchev's opinion, to fight against both the right and left oppositions, but instead of winning their members back to the fold, he liquidated them ruthlessly at a time when they no longer represented any real danger. The murder of Kirov, in December, 1934, the prelude to the reign of the guillotine, may well have been the work of an *agent provocateur*. And Stalin was behind it all, ordering, aiding and abetting, replacing Yagoda by Yezhov as head of police to "catch up" with the schedule of executions, personally justifying the use of torture to extract confessions. The massacres of the late thirties, the rule of terror, mass deportations—these were his achievements, his masterpieces.

The delegates to the congress must have thought that they were watching a surrealist nightmare as Khrushchev proceeded with the film of the last quarter of a century. He showed Stalin so dizzy with power that he was sure he could overthrow Tito by lifting a finger; he showed him recommending beatings to force innocent Jewish doctors to confess to an imaginary "plot." He painted a world of fear and suspicion, in which even the most faithful servants were not sure of to-morrow. Molotov and Mikoyan apparently owe their life to Stalin's timely death and—a piece of special pleading—Khrushchev quoted Bulganin's remark that when you sat with Stalin you never knew where you were going to be sent next, home or to jail.

No wonder that there was "consternation in the hall" and delegates fainted as innocent blood appeared on the bronze statue. If these men and women were barely able to take it, the dissemination of the Khrushchev version throughout the Soviet Union by gradual stages is perfectly understandable. The sophisticated can already glean much of it in *Voprosy Istorii* and somewhat less in *Kommunist*, the theoretical organ of the party. But for the propagandists

(Continued on page 1105)

(Continued from page 1104)

remains the gigantic task of filling the vacuum created by the end of the cult and of explaining the new image of Stalin to the masses. Time and skill are needed to spread this new version first to the eight million party members and then to outsiders. And when it has filtered to the very bottom half-truths may prove no shield to protect the Soviet leaders from angry curiosity.

The picture presented by Khrushchev is naturally incomplete and one-sided. Stalin was once Russia's sun, now he overshadows the Soviet past. But he is not placed against a background; the indictment is directed against a man rather than a system. Khrushchev is reluctant to retrace his journey right back to the beginning of the night, to the sources of Stalinism, to the silencing of all opposition and the ruthless collectivisation. Indeed, he seems most enraged by Stalin's execution of his own followers. The list of innocent victims always begins, like a revengeful refrain, with the names of Kossior and Chubar, Postyshev and Rudzutak who, like Khrushchev, were faithful to Stalin but did not manage to survive.

The case of Beria provides another instance of Khrushchev's eclecticism. Beria is not covered by the excuse extended to all other lieutenants of Stalin—that they were the reluctant instruments of his crimes. Even Semyon Ignatiev, minister of state security at the time of the "doctors' plot," only did what Stalin ordered. But not Beria. While others trembled and obeyed orders, he alone could fool Stalin and prod him on to even bloodier paths. Could not Beria use the plea of "superior orders" as much, or as little, as his executioners? Will the Russians continue to accept the wild accusation that he had been a British agent before 1917 now that Khrushchev has disclosed the tricks of the "Stalinist school of falsification?"

Khrushchev could not and would not tell the whole truth. Historical events, however, are so closely interconnected that one revelation leads on to another. He accused those who were in opposition and yet made a step towards the rehabilitation of Zinoviev and Kamenev. He wanted to put the blame on Beria and yet it is Yezhov that appears the blackest. The Khrushchev version itself must precipitate a major mental crisis in the Soviet Union. Only when the country emerges from the present catharsis will it be possible for the Russians to draw a balanced historical portrait of Stalin and an analysis of his rule.

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Canadian Fireworks Fizzle Out

FROM OUR OTTAWA CORRESPONDENT

CANADA'S political crisis quietly petered out this week. After the Royal Assent had been given to the pipeline Bill on the afternoon of June 7th, just in time to enable the government to fulfil its agreement with the Transcanada Pipeline Company, a further political row seemed possible over the government's urgent need for money. Its interim supply covered only the two months from April 1st. At the beginning of this week, it faced payment of civil service salaries—let alone other commitments—with virtually empty coffers. Both the Conservatives and the CCF were tempted to press their demand for an immediate election by obstructing a further interim Supply Bill. The government foresaw the danger and attempted to forestall it by issuing an appeal for cooperation. Just before last weekend Mr St. Laurent appealed for the passage through all its stages on the following Monday of a bill granting one month's further interim supply. Mr Drew, the Conservative leader, immediately asked for a prior statement of the government's intention for the remainder of the session, since there had been reports that the government planned an early adjournment.

After a weekend of painful indecision, the Conservative leader finally accepted an assurance that no early adjournment was planned and agreed to pass the Supply Bill quickly. The CCF party would, on its own, have reached the opposite decision and continued to obstruct in the hope of forcing a dissolution. But it fell in with the decision of the larger opposition group.

It thus appears that the present session of parliament may drag its way through July without more fireworks. The Opposition will presumably rely on attempts outside parliament to impress on the electors the enormity of the government's handling of the pipeline question. It also no doubt hopes that parliamentary ineptitude and the apparently declining vigour of the Prime Minister may put fresh cards in its hand before the election—probably next summer.

Until this week, it had also been a matter of serious doubt whether Mr St. Laurent would go to the Commonwealth meeting in London, leaving Mr Howes as acting Premier. The doubt arose both because of Mr Howes's lack of interest in parliamentary affairs and because of the possibility of friction within the Cabinet. But Mr St. Laurent has decided to go to the conference anyway and will leave for London next Friday.

New Chapter for Peru

BY A CORRESPONDENT

PERUVIAN electors will be going to the polls on June 17th to choose a successor to General Manuel A. Odria, the latest in the line of right-wing and often military Presidents who, with one short interval, have governed Peru since its emergence as a sovereign republic. Elections are also to be held for two vice-presidents and for members of both houses of Congress; but in Peru, as in so many other Latin American republics, the power of the President

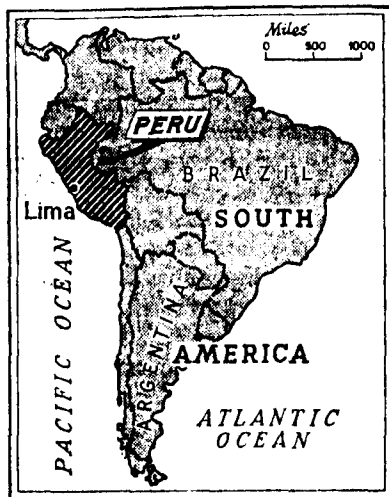
is virtually supreme, and politics are a question of personalities rather than of parties.

There are two principal candidates for election to the Presidency—Dr Hernando de Lavalle y Garcia and Dr Manuel Prado y Ugarteche. Dr Lavalle, a well known corporation lawyer, has finally emerged as the official candidate with the powerful backing of President Odría and his *Partido Restaurador*. Dr Prado, who was President of Peru from 1939 to 1945, was responsible for a policy of co-operation with the allied powers. By Peruvian standards he is a moderate conservative but he has attracted the support not only of his own followers, the *Movimiento Democrático Pradista*, but also of various right-wing opponents of President Odría, including the ultra-conservative Miró Quesada family who own the Lima newspaper *El Comercio*. He is not yet fully recovered from the effects of a heart attack last December.

Peru's record for electoral honesty, and even for permitting the electoral process to take its course, is unenviable. But on this occasion, although the date of the elections has already been postponed a fortnight, it looks as if they will now take place as scheduled. President Odría has firmly denied all suggestions that he should stand for a second term, a move that would have been unconstitutional although not unprecedented, and he has allowed nearly all exiles to return to Peru for the elections. Perhaps an even more significant sign that the elections will be freely held is the suggested rapprochement between President Odría's sympathisers and their candidate, Dr Lavalle, and the *Alianza Popular Revolucionaria Americana* (APRA). The Apristas claim that they could command 75 per cent of the votes in a free election and, although this claim is undoubtedly exaggerated, their votes could well swing the elections in favour of Dr Lavalle.

Indian Reservations

But a firm agreement between President Odría's supporters and the APRA would be surprising. Dr Lavalle, if elected, is likely to continue the policies sponsored by President Odría. These have restored economic order and made Peru attractive to the foreign investor, but at the same time they have slowed down the pace of domestic development through the restriction of credit and have done little to promote the welfare of the Peruvians of Indian descent, who represent over half the population. The APRA, on the other hand, is an example, unique in South America, of a doctrinaire left-wing, although non-communist, party, whose principal aim is an improvement in the economic and social status of the Indians and their integration into the life of the country. Nationalisation of land and industry also forms part of the Aprista programme, but they have dropped



their opposition to "Yankee imperialism" after realising that foreign assistance is essential for Peru's economic development.

The Apristas' only previous excursion into government was disastrous. It took place after the notably free elections of 1945 (which incidentally were made possible by President Prado) when APRA support carried the liberal Dr José Luis Bustamante y Rivera to the presidential palace. Inexperience in the techniques of government combined with a natural unwillingness to compromise over the reforms they considered necessary, and the bitter opposition of many right-wing leaders, in particular the Miró Quesada family, led first to the resignation of the Aprista cabinet ministers and then to a congressional deadlock; the anti-Aprista members of both houses refused to attend, so that the Apristas, left to themselves, were unable to form a quorum. Support for Dr Bustamante turned ultimately to armed opposition, and in October, 1948, the Apristas, in conjunction with the Navy, staged a spectacular revolt at the port of Callao. The rising was put down and the APRA was once again outlawed. Its founder and leader, Sr Victor Raúl Haya de la Torre, later sought asylum in the Colombian embassy in Lima, from which he did not emerge until April, 1954. But Dr Bustamante's right-wing opponents were unsatisfied and themselves turned to armed rebellion, this time successfully. The leader of that revolt was General Odría, who had earlier resigned from Dr Bustamante's cabinet because of the latter's refusal to oppose the Apristas.

An alliance between Dr Lavalle's forces and the APRA may well secure the election of the former as President of Peru and secure for the latter the benefits of legal recognition. But the evolution of a policy acceptable to both parties is likely to prove difficult and even dangerous for the Apristas; by joining with a clearly right-wing group, they may compromise their beliefs and lose their cherished position as champions of the under-privileged Indians.

Swiss Money for Italy

THE announcement that 50 million Swiss francs (some £4 million) worth of bonds of the European Coal and Steel Community will be issued to the Swiss public later this month, as the first of a series of issues, was of particular interest to Italy; for it is thought that Italian pig iron and housing developments may be important beneficiaries of the loan. Swiss money has in many cases become a most important source of finance for private Italian industry in the last two years. For some time the steel industry had been exploring the possibility of raising a direct \$20 million loan in Zurich, and Olivetti and two other large companies recently approached the Zurich market for long-term loans at 4½ per cent and are raising between them some 46 million francs. And these are small fry beside the big loans previously raised—50 million francs each by Italian Caltex and Pirelli in 1955, another 50 million by Montecatini at the end of 1954, and several others.

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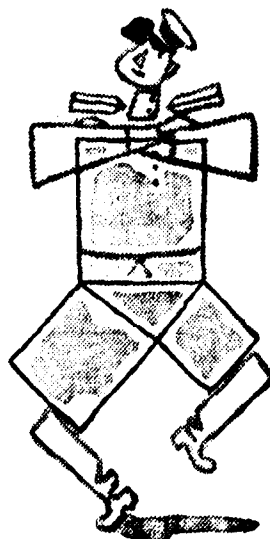
DIRECTOR ACCOUNTING MACHINE



EUROPE in PERSchwepptive

The perschwepptive of Russia reveals the hitherto unrecorded existence of a powerful SCHWEPPTH Column.

There is for instance, co-existent with a Five Year Plan, a Five Year Plan to end Five Year Plans, which includes a Five Year Plan for being totally inconsequent and digging up all statues of Workers looking steadily towards the sky as if they had just seen something tremendously encouraging above the horizon. There is also a Five Months Plan for being the person who occasionally takes an extra day off; a Five Fortnightly Plan for realising that though the New is obviously tremendously good in Russia, the isolated Old had individual moments when, intermittently, it was not bad either; and there is a Five Week Plan for reading Tolstoy



and Dostoevsky as great literature rather than as significant pointers demonstrating trends in the social evolution of a corporate body towards its destined counterpoise in the pattern of the body corporate. Not unconnected with the above is a Five Day Plan for intermittently allowing yourself to wonder whether the names of the inventors of the microscope, the microphone, Annie Get Your Gun, Macadam roads, and the Bridge of Pythagoras, really perhaps didn't absolutely certainly end in ov or ovitch. There is some support for a Five Minute Plan for getting up ten minutes late in the morning. Occasionally we put in motion the Five Second Plan for being a person not absolutely clear about his motives and definitely indistinct about his political allegiance.

Written by Stephen Foster. Designed by George Hill

SCHWEPPEPVERSCIENCE LASTS THE WHOLE DRINK THROUGH

agreed to lend the Italian railways 200 million francs to finance electrification, but only with the guarantee of the Italian government and in return for a promise from it, not yet implemented, to modify Italy's peculiar patent laws, which have long been a source of grievance to a number of foreign manufacturers. Holding companies and banks have also played a useful part during the last two years as intermediaries in raising capital abroad particularly for smaller companies. IMI, for example, a large state-backed credit organisation, has borrowed 50 million francs each from the Swiss market and from the International Bank of Settlements at Basle, and the office it has opened in Zurich has been helping Italian businessmen to borrow in Switzerland on their own account.

Side by side with the big public loans which are financing long-term development in the south—those from the World Bank, for example, and a French 12 billion franc loan now expected—private foreign capital, particularly from Switzerland, has thus begun to play a vital part in Italy's expansion; last year, net capital imports doubled to over £54 million, a remarkable proof of foreign confidence in Italy's economic promise. Most of the increase was due to larger loans abroad, which rose from £4 million to £28 million, but the passage of the new law to encourage foreign investment may help to encourage fixed investment as well.

Australian Labour Crisis

FROM OUR CORRESPONDENT IN CANBERRA

THIS week's decision by the federal executive of the Australian Labour party to dismiss the party's New South Wales executive is a much more drastic course of action than many rank-and-file members had expected. A special federal conference of the party in Melbourne received the decision on Wednesday without opposition, however, and the affairs and assets of the New South Wales branch are being taken over on behalf of the federal executive.

In deciding to press for the dismissal of the state executive, the federal leader of the party, Dr Evatt, evidently acted on the belief that in the long run the Australian Labour party would be better off as a united party, even if the immediate effect was a reduction in its numbers and strength. The decision, in effect, completes the purge of mainly Roman Catholic right-wingers which began with the dismissal of the Victorian executive last year. The dismissed Victorian members formed themselves into a break-away group under the title of the Anti-Communist Labour party. The new group, which advocated many policies similar to those of the official Labour party, but opposed what it described as Dr Evatt's tolerance of communism, fared disastrously at last December's general elections. Its seven members in the House of Representatives all lost their seats.

No Velvet Glove

Any improvement in Labour's future electoral prospects is likely to be slow and hard. For the past few weeks Labour moderates, particularly in the parliamentary party,

had been making desperate efforts to secure a conciliatory attitude at this week's special conference. In the event, however, the executive evidently felt that it could not ignore the factual reports accusing the New South Wales executive of association with the Anti-Communist Labour party, as well as of having been improperly elected and of disobeying instructions from the federal executive. The importance of this week's decision is underlined by the fact that New South Wales—the largest Australian state—sends to the federal parliament almost half of the Labour MPs, ranging from extreme left-wing to solid right-wing supporters. Feuds in Sydney therefore have important consequences in Canberra.

A considerable amount of support for the Australian Labour party has come in the past from Roman Catholics. In recent years this support has moved more, and more towards the right wing of the party, and, at the last four federal elections, as Catholic dislike of Dr Evatt's policies has increased, a solid body of Catholic voters has drifted to the Liberal and Country parties. These votes will return to Labour only when many Catholics are satisfied that the Federal Labour party no longer possesses "dangerous" tendencies. Labour, to regain power in Australia, must ultimately win back these votes. Without them it could scarcely recapture the House of Representatives, and certainly never the proportionally-elected Senate.

One ironical aspect of the situation is that at the end of this month, when newly elected Senators take their seats, two members of the Anti-Communist Labour party will hold the balance of power. The two Senators are violently at odds with Dr Evatt's conduct of the opposition and are unlikely to support any move that might bring him into power. Nevertheless, they may well side with the official opposition on many matters into which their views on communism do not enter, and this is liable to embarrass the government's legislative programme.

A Flurry of Bills

This explains the haste with which the Liberal-Country Party government of Mr Menzies has introduced new bills since the newly elected parliament took office. During the past couple of years, many Australians had felt that Mr Menzies's government was running out of ideas. Since the new session began, however, there has been one major bill after another. First came the "little budget"—small in the number of its proposals but extensive in their effect. Since then has come a series of measures dealing with television, trade insurance, industrial arbitration, the regulation of waterfront labour, and shipping. An important housing bill is due for debate any day.

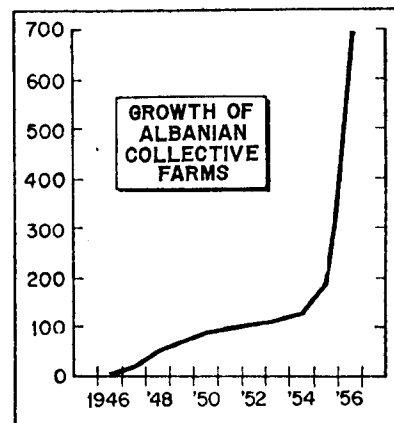
It is becoming apparent that the tax increases introduced by Mr Menzies in March will, in the main, form the government's revenue proposals for the next budget year. They have been accepted by the parliament in which, for the rest of this month, the government controls both houses in its own right. Here the government's views of economic necessity and political expediency have happily coincided, since, by raising taxes in March, it has smoothed the way for the budget in September. The two breakaway Labour members in the Senate will not now have to be asked to vote for a budget rigorously increasing taxes—an action they might not have been prepared to take.

Albanian Communists Take Stock

BY A CORRESPONDENT

WHEN Stalin died, Enver Hoxha, then Albania's party boss, prime minister, minister of foreign affairs, of defence and head of the army—to mention only a few of his titles—gathered the population of the capital in Tirana's biggest square, made them kneel and take a two thousand word oath of "eternal fidelity" and "gratitude" to their "beloved father", the "great liberator", etc., to whom they owed "everything." In his report to the recent third party congress, inspired by the "precious decisions" of the Soviet twentieth congress—the "boundless experience of the CPSU" being, according to Hoxha, "the mother's milk feeding the child"—he repudiated Stalin, accusing him of "open and shameful deviation from the Leninist principle of collective leadership."

But the "mother's milk" must have gone sour by the time it reached Tirana, for Enver Hoxha proved to be in his most aggressive mood. Not only did he attack the western powers as in the good old days, identifying them with the "German-Japanese imperialists and fascists" but his whole interpretation of the new policy of "co-existence" was heavily impregnated with Stalinism. The most important statements were those concerning Albanian - Yugoslav relations. Hoxha apologised to the Yugoslavs for the strained relations between the two countries after the



ex-communication of Tito by the Cominform. But he threw all the blame on Beria's "diabolical provocation" and he defiantly refused to rehabilitate "Koci Xoxe and his friends," the first victims of the "anti-Tito" campaign. The accusations against them, he said, "are completely supported by the facts" and their punishment was "absolutely right." The Albanian Communist party, he argued, "made no mistakes because . . . it had built up its general line on the experience of the glorious CPSU, the Leninist policy of which has been and will always be right."

But the Yugoslavs do not seem to be impressed by this argument. Though comrade Pospelov, secretary of the Soviet Communist party who attended the congress, is a fraternal delegate, gave the Albanian central committee, and Enver Hoxha in particular, the Kremlin's blessings, *Borba* immediately picked up the gauntlet. On May 29th it recalled that "Xoxe was executed in 1948 on the charge of having prepared a coup d'état in Albania on instructions from Yugoslavia", and then went on to state:

The very fact that Hoxha justifies the accusations of 1948 in their entirety, from which the slanders against Yugoslavia cannot be detached, is not in conformity with his alleged desire to have "the bitter past buried" and to promote

Jugoslav-Albanian relations in the spirit of mutual understanding and friendship.

Hoxha's analysis, continued *Borba*, contained many assertions "with which we cannot now or ever agree, and whose reiteration can only obstruct the normalisation of relations between the two countries."

The congress, however, unanimously backed Hoxha, Shehu and the central committee and finally re-elected them to the new enlarged executive (whose membership was increased from 27 to 43). The two names from the 1952 central committee which are missing in the new one are those of Bedri Spahiu and Tuk Jakova. The latter was Tirana's envoy in Belgrade on the eve of the Tito-Stalin conflict. Both were the last survivors, together with Hoxha, of the first central committee of 1941. Both were more or less mixed up in the Xoxe affair, but escaped by confessing and passing over in time to Hoxha. They both lost their position in the Politburo in 1952 and were dismissed from their ministerial posts, and Spahiu from the chairmanship of the Soviet-Albanian Friendship Society, last year.

In economic matters the Albanian communists are still in the Stalinist jungle of percentages. These have led specialists of the Economic Commission for Europe to the conclusion that the plan for oil has been fulfilled. Yet the prime minister, Mehmet Shehu, in his report to the congress, listed oil with natural bitumen and coal among the sectors where the plan has partially failed. The Albanian leaders boast that "factories, transport-means, railways, roads, tractors, agricultural machinery, bridges, higher institutions, museums, ports and even trees along the streets are new." But the price the Albanians have had to pay and the hardship imposed upon them are appalling. Moreover the five-year plan had to be cut down; according to Shehu, in 1953 the government had to "remove certain projects" and "postpone the construction of certain others." The remaining projects, however, have cost "double" the sum envisaged for the whole.

Toil and Tears

Albania is the only country behind the iron curtain where there is still rationing. There seems to be no hope that it will end before 1960, and then only if the planned targets for industrial and agricultural production are reached. The prospect held out by Hoxha was of more "sacrifices" and Shehu asked for "sweat, effort and tireless work." To remedy the disastrous food situation, the second five-year plan provides for an increase in grain production from 360,000 tons in 1955 (when there was a good harvest) to 516,000 tons in 1960. To succeed in this the Albanian communists, encouraged by Pospelov, intend to speed up collectivisation—one of the worst failures of the first plan. By 1960, according to Shehu, there will be 1,800 agricultural co-operatives (now 694) covering 70 per cent (now over 24 per cent) of the land. During the last quarter of 1955 alone, as many kolkhozes were set up as in the whole period for 1946 to 1954, and since the beginning of this year their number has doubled. Apparently, "today the Party and the State are strong enough to meet the great task"—of forcing the peasants to join the collectives "voluntarily." Meanwhile, it is reported that discontent against the regime continues to grow in the countryside and sympathy for the Yugoslavs has never been stronger among the Albanians.



'High Time they
did something about
this place!'

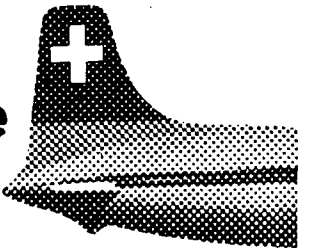
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THE BUSINESS WORLD

Trinidad Oil Realities

AFTER a week of emotionalism, Mr Macmillan's announcement on Thursday that the Government was willing to allow the Texas Company's offer for the ordinary stock of Trinidad Oil to go through, subject to a number of proper safeguards, let in a breath of realism that was overdue. There were, as the Chancellor explained, two main sets of considerations involved in this offer. One set concerns the conditions under which the Texas Company should be required to operate in Trinidad and in this country if its offer succeeds. The other, much wider, issues involve, on the one hand, Britain's standing as a major investor itself and the immense benefits that it has derived from investment abroad; and, on the other hand, the scarcely less important gains that the United Kingdom and the Commonwealth have derived from investment and enterprise brought in by the United States. The first set of considerations called for the safeguarding of British interests at home and in Trinidad; the second demanded the avoidance of any decision that by being discriminatory itself would expose this country to the risk of discrimination by other countries.

None of these assurances is more important than the safeguarding of the interests of Trinidad itself. Trinidad Oil owns a refinery there which in the year to June last had a throughput of 28 million barrels. Its own production in the island was 8 million barrels (the rest of its crude comes from Venezuela) and it has a one-third interest with Shell and British Petroleum in exploration in the northern areas. All this is of vital importance to Trinidad and to the Caribbean Federation in which Trinidad is destined to play a leading role; it was a primary responsibility of Britain—moral as well as economic—to ensure that no change in the ownership of Trinidad Oil would prejudice the development of Trinidad itself. It was soon apparent that the colony had no doubt about the prospects of future expansion under the Texas Company, and to deny them would have damaged the colony's hopes of economic advance.

The conditions that the Texas Company is invited to accept in Trinidad sound palatable enough to the company and should give full assurance to the colony. The refinery is to be operated fully and if possible extended; exploration for oil is to be intensified; proper safeguards for good staff relations and training and promotion of local men are required. In its marketing operations in this country, Texas (which will own, if the offer is accepted, 75 per cent of Regent) will receive payment in sterling, under arrangements similar to those that govern other American oil companies in sterling area markets. There will be some loss of tax, and dollars will have to be provided for profits remitted to Texas. But for many years, there will be an inflow of dollar investment by Texas to this country and to Trinidad. The Canadian interests of Trinidad Oil that Texas will acquire are no doubt full of promise, but their scale and certainly their present yield are modest.

This said, it is difficult to see exactly what the tremendous fuss of the last ten days has been about. Against the world oil background, Trinidad Oil is picayune; at a fair guess it produced one seven hundred and fiftieth part of all the oil that the world's oil industries produced last year. But the £63½ million that the Texas Company offered for its ordinary stock (a juicy catch crop, incidentally, for the dollar reserves) is still big money, and big money from an American bidder, destined to pass to undeserving shareholders, gives the left-wing emotionalists two birds for one barrel. From the unhappy mid-century imperialists on the right has come all the evocative symbol-language—"birthright," "betrayal," and "mess of pottage."

There is an immense point of principle here that the Government came within danger of fumbling. It is to foster to the fullest extent the free flow of investment across frontiers and across the exchanges. There is nothing in the size of the Trinidad Oil offer or in the nature of its operations that makes it any exception to this rule. Malice and pride are no substitute for

economic truth. Part of that truth is that Trinidad Oil can no longer afford, out of its own resources, to stay in the hunt with the major oil companies. Mr Simon Vos, the chairman of the company, put this "blunt truth" at the head of his statement last week-end. It has no "cheap crude oil"; its own insufficient production in Trinidad costs a dollar and a half a barrel and it has no access to Middle East crude costing "anything from 20 to 40 cents per barrel". Its net profit after taxes last year (to June 30th) was £2.3 million, and it set aside in depreciation and retained earnings roughly £3½ million. Earnings at this rate are creditable enough but they do not go far towards building £25 million refineries, such as the company has in mind on Southampton Water.

That programme would involve major changes in the entire conception of the company, which has hitherto carried out all its refining in Trinidad, shipping the products to the British market where, under the "Regent" sign, it has concentrated primarily on the gasoline and road diesel fuel markets. Its share of the whole British market in oil products was put at 6 per cent by Mr Macmillan on Thursday, though presumably its share in gasoline and diesel fuel would be higher—perhaps twice as high. Regent has been much less ambitious in supplying the market for heavier fuels. But the latter are the grades where the prospects of future expansion in a fuel-hungry age seem most bright, and to supply them would presuppose a radical shift in marketing policy, backed by a full-scale refinery in the British market and the certainty of Middle East crude to feed into it.

How would the Texas Company's resources ride with such possibilities? It is, as it were, already a second cousin of Trinidad Oil, for the latter owns a 50 per cent interest in Regent, while the other half is owned by Caltex, the joint marketing company of Standard Oil of California and of the Texas Company. Texas has a half interest in Bahrein, a 30 per cent interest in Aramco, and a 7 per cent share in

the Iranian Oil consortium. These are great resources, capable of paying, as Trinidad Oil unaided could not hope to do, the £25 million bill for the refinery and also of finding the 5 million tons of crude to put through it. There is much to be said for building expansion of this kind on the foundation of an existing marketing organisation; and it is almost certainly here, in the British market, that Texas sees the opportunity of expanding sales and lowering costs, and of loosening the fetters of high cost production in Trinidad. Mr Vos's statement referred pointedly to the Texas Company's "larger markets in the South American Continent and in West Africa—where the Trinidad Oil Company have no business—" as being likely to require the full output, and indeed an expansion, of the refinery in Trinidad. Can it be gainsaid that, irrespective of ownership, all this would provide a much more logical and economical pattern of operations than Trinidad Oil's present arrangements? Is this not precisely what Trinidad Oil might itself have begun to do if its resources had been big enough?

These are the realities. They show up the emptiness of counter-proposals (of which there have been many) based on pride or economic nationalism—that this or that Government should take over Trinidad Oil; that the Government should use British Petroleum so to say as its creature to make a counter-bid (to what end, one might ask, now that BP is entrenched in Western European refining and is as secure as it has ever been for supplies of crude?); or, vaguest of all, that there should be "a consortium." If any other major group saw greater advantages to itself in developing Trinidad Oil's interests on better lines, it could and no doubt would make a better bid. But it was the Texas bid that was made; and all that had to be decided about that, once the future development of Trinidad was assured, was whether it was a reasonable price to pay for a good and developing asset. That will now be for the shareholders to say. The Government has clearly reached the only proper decision.

The Brewers Speak Out

SOME years ago the brewing industry was described in these columns as "taciturn." Much less was then, and still is, known about it than about other industries of comparable importance. But in the last few years at least some of the leading brewers have begun to speak more freely about their industry's awkward issues. A number seem now to be addressing their annual speeches not only to their shareholders and to the City, but also to their employees and tenants, and to the public at large: Mr Simon Combe of Watney Combe Reid, for example, on the encroachment of clubs, Mr Edward Thompson of Ind Coope and

Allsopp on redundancy, Mr R. H. Butler of Mitchells and Butlers on licensing restrictions, and Mr F. J. Yardley of W. Butler on the abandonment of uneconomic projects.

Generally, brewers are recognising that outside competition for mass purchasing power is the major challenge to their industry. The high taxation of beer is still a frequent complaint, but it is being put into perspective. As a young brewer, Mr Alan Seaward of Usher's Wiltshire Brewery, recently put it:

... nearly all our trade associations appear to work on the untenable assumption that if we wait long enough

some brave new Chancellor is going to arrange for beer to be reduced to 6d. a pint... the answer is a lemon... To suppose that 3d. or 4d. can be taken off the pint is the economics of *Alice in Wonderland*. . . . The real difficulty we are up against... lies in the disadvantages we suffer by law in the marketing of our products.

Other younger brewers, perhaps less inhibited than the older generations, have tackled controversial subjects; among them Mr E. D. Simonds of H. and G. Simonds on the "jungle" of the licensing laws, and Mr B. Dixon of Flowers on inefficiency among licensees.

In his annual statement this week, Colonel W. H. Whitbread gives added impetus to this movement towards frankness, beginning with a douche of realism. He does not allow his shareholders any complacency about the slight increase in beer sales which last year interrupted a fairly steady decline since the end of the war: "... we cannot count upon the recurrence of the combination of... exceptionally fine weather and freely circulating money." It would be a disaster if last summer lulled the brewers into a false sense of security.

Winter sales of beer, certainly, have held up after that thirsty summer. Between October, 1955, and April, 1956, beer output was 12.97 million barrels, against 12.65 million in the corresponding months of 1954-55, a rise of 2.5 per cent. The improvement of public houses and their use by a widening range of customers, notably women, may be reflected in these better figures. And the new collective advertising may be showing results. But other trades selling marginal pleasures under heavy competition, such as the cinema, have in recent years found such encouraging ripples on an ebbing tide to be illusory.

Colonel Whitbread argues that even if beer consumption continues to fall, profits can still be increased. His point is that beer has improved in quality over the years and become more profitable. This is partly a result of bottling, which enables it to be sold in the form which the present-day consumer prefers and for which he—and she—is prepared to pay more than for draught. The scope for bottling (or other forms of packaging) remains large; less than two-fifths is now packaged—a long way to go before the American four-fifths. But there is a second reason; brewers' properties could earn more profits, not only from wines and spirits, soft drinks, sandwich bars, coffee bars, even milk bars, confectionery and so on, but also as hotels and motels as road travel grows. Here the surface has been barely scratched: but some brewers appear likely to miss this bus—or coach—as many of them did with catering.

Tenants have lately been pressing brewers to help them meet higher wages, fuel charges and rates; and adjustments of retail margins, prices, and rents are being made up and down the country. On the score of rates, the licensees are in the same boat as shopkeepers, restaurateurs, and cinema-owners, and are facing heavy increases in rates under the new assessments, and

tenants are passing on part of the burden to the brewers. Colonel Whitbread argues that public house assessments should be adjusted on a more favourable scale than other shops and businesses, because the trade is already more heavily burdened by taxation than other wares—a point which tobaccoists, for example, might question—and they certainly sell it under stricter trading restrictions than other retailers. It may be a fair case in theory, but it would be difficult to satisfy in practice. But the burden of rising costs is not solely a matter for bargaining between tenant and brewer, and eventually passing the buck to the customer in higher prices. Beer is in a competitive market: the customer may choose not to pay these higher prices. Already some licensees have asked brewers not to raise prices further, particularly prices of draught beers. The only real and lasting answer to rising costs comes from greater efficiency and better service. What is being done to achieve them?

★

Part of the answer lies in improved administration of the licensed house. Tenants are being selected more carefully and trained more systematically. But there is also a trend towards the employment of managers rather than tenants. The economic reasons are clear enough. The increasing capital and running costs of public houses often put them beyond the means of tenants. On the other hand the widening range of goods that public houses sell makes it uneconomic for the brewer to supply the lion's share of the upkeep costs and allow the tenant to take the profit on everything but drink. Increasing competition from other trades makes it essential to develop this fringe of new attractions to the full, but not all tenants have the right outlook, the technical knowledge, or the money to do it. Colonel Whitbread faces this unavoidable clash of interests. The profits on beer alone, he claims, are insufficient to justify the cost of maintaining, improving and rebuilding licensed properties; the retailer gets so large a proportion of the profit from all other commodities sold in the public house that "there is bound to be a trend... to put more and more houses under management." The common platitudes about "mutual goodwill between the two sides of the trade" are beside this point: the trend is the result of changing trade conditions, "of which the retail trade organisations should take notice."

Have these retail organisations asked for this pointed reminder? The figures show that the managed houses owned by Whitbread, at any rate, have been earning substantially more profit. In a competitive market this must mean that they have served the customer better. If the tenant cannot do this, is the brewer to put him before the customer? About five out of every six public houses in England are run by tenants. Tenancy is likely to predominate for a long time because, like independent retailing generally, it offers economies of specialisation and decentralisation

★

that the manufacturer does not lightly abandon. In a managed public house the brewer gets the full retail profits of a managed retail outlet, but also the work, the risks, and the costs of financing. The enterprising tenant is still valued by brewers; but if the choice is to see a house go downhill or replace the tenant by a manager, the brewer's course is clear. Nothing but

	Gross Trading Profits* £'000			Price June 12	Dividend %	Yield %
	1953	1954	1955			
Ansell's £1	1,940	2,249	2,666	55/-	19	6.9
Bass £1	2,303	2,413	2,662	115/-	43	7.5
Guinness 10/-	5,682	6,552	7,366	40/6	25	6.2
Ind Coope 5/-	2,600	2,714	3,093	7/6xd	12	8.0
Mitchells & Butlers £1	1,998	2,084	2,189	33/3	12½	7.5
H. & G. Simonds £1	979	858	866	48/-	22	9.2
Strong £1 def'd.	662	689	750	56/10½	25	8.8
Taylor Walker £1	1,213	1,228	1,288	24/6	10	8.2
Joshua Tetley £1	1,337	1,602	1,813	29/3	11½	7.9
Ushers £1	365	380	421	45/6	17½	7.7
Whitbread 'A' £1	2,931	2,664	2,329	69/-xd	21	6.1

* All years to Sept. 30 except Ind Coope (Aug. 31) and Taylor Walker (Dec. 31).

good can come from giving this delicate problem a good airing in the trade; and if it makes the less enterprising tenants worry about staying in business, so much the better for everyone.

Last autumn Whitbread's bought a substantial interest in the Cheltenham & Hereford Breweries in order to protect this concern from a takeover bid made from outside the industry. Colonel Whitbread's spirited defence of this action is not marred by the usual hysterical criticism of take-over bids or the suggestion that outsiders have no right to buy out an undertaking in order to make it more profitable by increasing its efficiency or changing its use. Indeed, he recognises there are "very substantial financial reasons" for these bids, "especially where the management is not proving effective." If it is not making the most effective use of its assets, it may attract a bid. No existing use of property is sacrosanct; and some brewers are wisely selling off uneconomic properties and putting the money to good use in the business. His own argument is that

"I am convinced that the continuance of old-established concerns, run on progressive lines, is in the public interest and, consequently, sound business. It is this conviction that lies behind our policy of co-operating with sound concerns by providing them with both financial and commercial assistance and thus enabling them to continue as individual entities."

Colonel Whitbread's wish to keep control in the brewing industry will be demonstrated as more than paternalism if he brings into play the drive and efficiency of his own organisation.

The company's purchase of interests in several other small companies—Norman & Pring of Exeter, Tennant Brothers of Sheffield, Dutton's of Blackburn, and others

—marks a different development. Not only the public house but also the medium-sized or small brewer evidently needs new money. The question is whether it is to be supplied through outright purchase by a larger company; by trade investments which leave the local brewer largely independent and give him access to the large brewer's technical and commercial expertise; or by selling him national (or regional) bottled beers on which he earns more profit than he could on some of his own. Whitbread's method combines the last two. The brewing industry is gradually becoming concentrated into less than its present 300 or so enterprises: in this concentration there will be room for all three methods.

Such concentration is likely to remain a long way short of single-firm monopoly. Even if the number of brewing firms were to fall to a hundred or fifty, it is difficult to see any one brewer controlling a third or more of the supply of beer in the country, or "any substantial part thereof," in the words of the 1948 Monopolies and Restrictive Practices Act. When almost all beer was draught, each firm had the natural protection of the high costs of frequent delivery from outside. The significance of bottling is that it gives beer a longer shelf life and so, by making it more mobile, enables it to be sold over larger areas. Although the number of firms in business is likely to fall, competition between those remaining may thus be intensified. There is more competition between brewers today than there was before the war, when there were 600 or more firms.

★

Bottling, assisted by personal mobility, the growing free trade, and advertising, is in fact loosening up the tied house system. When people move about, or use registered clubs, they learn the taste of new beers, and ask for them in their "local." Whitbread's bottled beers are stocked in "well over half" the licensed houses in the country (this means in more than 36,000 in England and Wales alone). Other brewers are also trying to achieve national (or at least regional) distribution. This development has occurred entirely since the end of the war, which shows the rate of social and economic change with which the brewers are contending.

The chief sources of the brewing industry's problems are high taxation, out-of-date licensing, and most of all competition from other pleasures. Significant reliefs in taxation are not at present in sight: modernisation of the licensing laws may come slowly from the industry's essay in persuasion of politicians, justices and the public. But competition has increased, is increasing, and is unlikely ever to diminish. Beer now attracts hardly more purchasing power than in 1949, although the public is now spending 40 per cent more. Radical changes in the industry's traditional techniques and attitudes are unavoidable: they require straight thinking and plain speaking.

Business Notes

Record British Exports

THE bare figures of British overseas trade last month look—and indeed are—a little too good to be true. But even after excluding the exceptional items that boosted British exports in May, the total still sets a new record, and the trade deficit has been brought within bounds. Exports rose by no less than £27.4 million to £283.8 million fob in May; this included about £5½ million for the *Empress of Britain*, which was delivered to Canada last month, and about £2½ million worth of lease-lend silver which is being returned to the United States. Exports of so large a capital item as a big liner are few and irregular, and the silver is not a true export but the repayment of a loan. But without these items, exports were still about £4½ million above the previous record of £271.3 million in March. May had two more working days than April, and the daily rate of exports (again excluding those items) was virtually the same as in April. Imports, despite the longer month, rose by only £1.7 million to £329.1 million c.i.f. That may owe something to lower commodity prices and therefore is not necessarily of advantage to the

UNITED KINGDOM TRADE
£ million—monthly averages or calendar months

	Imports c.i.f.	Exports f.o.b.	Re-exports	Trade deficit
1955 1st Qtr.	335.1	247.3	10.6	77.1
2nd "	299.8	217.0	8.2	74.6
3rd "	327.1	243.2	9.5	74.3
4th "	334.3	261.0	11.2	62.1
1956 1st Qtr.	328.3	258.4	13.6	56.2
April	327.4	256.4	13.7	57.3
May*	329.1	283.8	13.5	31.9

* Provisional.

sterling area as a whole. With re-exports at £13.5 million the trade deficit fell sharply by £25.4 million to £31.9 million, and the average monthly deficit in the first five months was £51.1 million, £14½ million less than in the same period of last year.

When the value of trade in the first five months is compared with the same period of 1955 more qualifications must be entered. The average monthly value of exports, at £263.1 million, was 6½ per cent higher than in the same period of 1955. But as export prices have risen since then, the increase in volume was probably about three per cent. The real increase in volume, however, was rather more than that, because exports in the early months of 1955 were inflated by the over-spill from the dock strike of October, 1954. Imports in the first five months of this year, at £327.8 million, were 1½ per cent higher than in 1955, but were probably unchanged in volume.

The most heartening feature of the trade figures is the further rise in exports to North America; last month's shipments set a new record of £39 million after leaving the ship and the silver out of account. On this basis, shipments to the United States amounted to £21½ million; average value for the first five months of 1956 is £17½ million, some £3½ million higher than in the first five months of last year. Shipments to Canada amounted to £17½ million, and the average monthly value of £13.7 million was about £2½ million higher than for the same period of last year.

No Lead from the Markets

IF investors have been watching the markets to see whether the tide is turning they have had this week to be content with a purely negative satisfaction. Nothing further adverse has occurred. Gilt-edged have held steady; industrials have rallied most modestly; sterling has held its own; and such changes as there have been in commodity prices have in the main been upwards. That was the humble best that the favourable British trade figures (favourable even when the non-recurrent items are excluded), the better news of President Eisenhower's health, and the upward turn of Wall Street, could produce. Rises from 177.2 to 179.6 in the *Financial Times* industrial share index and from 85.69 to 85.86 in the Government securities index on Tuesday and Wednesday have no decisive ring about them.

With the number of Stock Exchange markings running at rather better than half the level of a year earlier (despite the large number of deals in Trinidad Oil) markets remain too thin to encourage the Bank of England to permit any of the long queue of gilt edged borrowers to come forward. Local authorities have been obliged to satisfy their needs through the mortgage market or to wait, but the hardship may not yet be great for at this time of year rate payments come in well. To the extent of holding the queue, but to that extent only, the market can be said to be being groomed for the big Government refunding operation that must occur in the next few weeks to replace the £824 million of 2½ per cent National War Bonds, due for redemption in August. Otherwise official policy towards the markets remains unchanged, and throughout this week, as indeed in the much weaker markets of last week, the Government broker has remained a persistent seller of stock.

For undertakings contemplating large issues the market remains discouragingly thin. A flow of small capital issues has included stock offers for three water companies, Newhaven Seaford and Ouse Valley, West Hampshire, and

Great Yarmouth, and there have been a few industrial share placings, of which the 5s. ordinary shares and £1 seven per cent second preference shares of Boosey and Hawkes, the musical publishers, and the 5s. ordinary shares of Norcross, the industrial holding company with iron ore interests, are the most important. The market, however, has not yet shown itself capable of providing capital on a large scale.

Self-Employed Pensions Now

THE Government's response to representations on their proposals as set down in the Finance Bill for self-employed pensions has been most reasonable. Much still depends on the multitude of Government amendments promised for the Report stage, but it is already clear that many rough edges have been rubbed down. The "two job" man who was hitherto excluded from benefit if one of his employments carried pension rights (however insignificant, as in the case of a part-time Town Clerk in a small Scottish town) is now promised the proposed benefits so far as his unpensionable work is concerned. But the partially-provided-for employee is not to be helped further. The moral would seem to be that people should take up work with concerns which have either a good pension scheme or no scheme at all; at any cost an employer operating an indifferent scheme should be avoided.

The qualifying premium is still limited to 10 per cent of earned income—an amendment to increase it to 15 per cent being rejected on the grounds that it would "enable many people who entered the scheme early to provide for themselves pensions distinctly greater than their normal earnings"—a reasoning which would be true only if earnings were high early in a man's career. Against this the maximum yearly contribution is to be increased from £500 to £750 with a corresponding rise in the limit of the earned income in respect of which the contribution which can be paid from £5,000 to £7,500. This proposal brought a political firework from Mr Gordon Walker in spite of the fact that no more than £1 million is involved—and this, presumably, being the gross figure, ignoring the tax to be recovered when pensions are paid. This concession will be of value to the late developer who has to be content in the early years of his career with a relatively low income and may hope to enjoy a high income for the shorter period during which he is at his earnings' prime. It will also be of value to those persons whose incomes are subject to wide fluctuations from year to year.

Recognising Back Service

FOR those who find themselves too old at 40 to derive full benefit from the long overdue relief now proposed there is a valuable concession akin to back service provision. The rate of the qualifying premium is to be raised by steps from 10 per cent for people now aged 40 or less to 15 per cent for persons who were born before 1908. This increase will be subject to adjustment if they enjoyed any existing

pension rights relating to a previous pensionable employment. For each rate for a qualifying premium there is to be, in Mr Brooke's words, "a corresponding appropriate figure for the maximum limit" of earned income—a proposal that was not clarified. It should not be thought that this help for the elderly is stretching generosity too far; a man of 55 earning £3,000 a year would have been able under the original proposals to set aside £300 to secure an annuity at 65 of about £330. Now he will be able to set aside £450 to secure about £550—not a big retirement benefit for a man in that income group.

The self-employed have been naturally grieved by the Chancellor's refusal to extend to them the right to take a part of their retirement benefits in the form of a tax-free lump sum but their representations have been unavailing. The Financial Secretary understood clearly the discrimination which is involved but he rejected the amendment on the grounds that the basic principle that exemption of tax from contributions must lead to the taxation of the benefits that emerge must be observed. If existing schemes offend that principle there was no question of doing two wrongs to make a right and he suggested, indeed, that the time will come when existing schemes will have to be re-examined.

Throughout the Government have made it plain that they are anxious to get on the Statute Book quickly a simple workable scheme for the benefit of the self-employed, to persuade people to save for their retirement and to check the drift of professional people out of the professions into salaried employment because of the much more attractive tax relief arrangements which industry is able to offer. It may have taken time, but the lesson has been well learned.

How Steel Stocks Shot Up

ANY rather sudden slowing down of output is likely to cause stocks to build up temporarily—the more so during a general shortage when orders are in any case being delivered well in arrear and when the company where output is slackening is reluctant to accept that its demand

CONSUMERS' & MERCHANTS' STOCKS OF STEEL

'000 tons	1955 June	1955 Dec.	1956 March	% Change in Stocks December to March
Consumers' Stocks:				
Sheet	453	531	582	+ 9.6
Plate	559	566	612	+ 8.1
Tinplate	108	110	134	+21.8
Total of above products	1,120	1,207	1,328	+10.0
Other steel	2,170	2,213	2,342	+ 5.8
Total all steel	3,290	3,420	3,670	+ 7.3
Merchants' Stocks	218	226	254	+12.4
Total Consumers' and Merchants' stocks....	3,508	3,646	3,924	+ 7.6

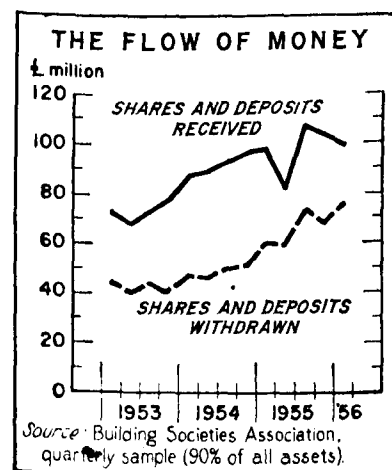
will go on falling. This—admittedly a rationalisation—seems to be one way to account for part of the quite remarkable rise in consumers' and merchants' steel stocks

during the first three months of 1956: it certainly cannot account for the whole of the 7.6 per cent increase, which amounted to more than the increase in stocks during the whole of 1955. As the table shows, stocks of the products used by the metal consumer goods industries that were feeling the squeeze, sheet and tinplate, rose more than the average, as did stocks in the hands of merchants, which might fit the above explanation. An alternative rationalisation is required of the increase, also more than average, in stocks of steel plate, which go into such capital goods as ships and railway wagons: perhaps here the familiar postwar phenomenon of shortage encouraging hoarding was still at work.

This building of stocks implies that steel consumers in Britain used only 6½ per cent more steel in the first quarter than in the same months of 1955, though deliveries from home production and imports were nearly 13 per cent higher. There is no doubt that supplies of certain steel products are still very tight; but the total extent of "shortage" is becoming increasingly difficult to assess clearly. At the moment, it is becoming harder rather than easier to meet demand, since the ban on overtime by maintenance men is affecting output quite significantly, though very unevenly between works in different areas. Output last month, as a result, was down to 396,400 tons a week, slightly lower than in May, 1955, and much lower than in March or April this year.

Halifax Walks Out

THE Halifax Building Society has notified the Building Societies Association of its intention to resign. The resignation cannot take effect until September 30th, and on June 30th the society intends to issue a statement; there would thus be time for discussion and negotiation, though



whether any new talks would stand much chance of success seems doubtful. In the light of what has now happened the resignation of Mr Fred Bentley from the general managership of the Halifax society is seen to have been inevitable: he could hardly have continued to hold in double harness the chairmanship of the association and the

general managership of a non-member society: he has preferred, with the general good will of the members, to hold the chairmanship of the association.

The resignation of the Halifax society from the association, if it takes effect, will be deplored. The association is an advisory body with only one operational rule, which the Halifax society observes with a wide margin; it insists that members should maintain a minimum liquidity ratio of 7½ per cent. It is a useful forum for building society discussion, and none the worse for admitting so many diverse

viewpoints. It speaks with authority for the building society movement in dealings with Government and public. It will be less effective if the biggest society in the movement leaves it. The loss of that society with its £264 million of assets will mean that the association instead of speaking for societies with 90 per cent of the movement's resources will represent a little over 75 per cent.

The quarterly figures from the association, such as those plotted in the accompanying chart, should not however suffer. The Halifax would, if asked, no doubt continue to supply its figures. The trend of new subscriptions and of withdrawals by shareholders and depositors shows that this is a moment when the association ought to have been strengthened rather than weakened. A persistently high rate of withdrawals is severely limiting the funds that the societies have available for new mortgage lending; this suggests that the rates now paid by the societies are barely sufficient to hold money against the counter-attractions of other forms of saving. The small societies are feeling the strain more than the large ones; it may also be claimed by the Halifax society, and in particular by its president, Mr Algernon Denham, that the figures support his scheme for a two-tier interest system under which the small societies would pay a quarter per cent more than the big ones. But the broader lesson of the figures really is that the return offered to building society investors as a whole is too low. Three per cent net (with a growing number of small dissentients) is still the rule. No concession at all has been made since the whole structure of interest rates was turned topsy turvy by the 1 per cent rise in Bank rate in February, and was followed by the inducements offered to other forms of saving in this year's Budget. The resignation of the Halifax society—not it is believed on the issue of interest rates—will not solve the problem; nor will other societies be any more likely to adopt the Halifax point of view. The logic of the figures alone is bound to force both share interest and mortgage interest upwards.

Clause 9 Withdrawn

AMERICAN and other overseas residents in this country who have been living for the past six weeks under the shadow of Clause 9 of the Finance Bill can breathe again. Their representations have been effective and Mr Macmillan has agreed to withdraw his proposal that the overseas earnings of individuals who are domiciled abroad but resident in this country should be taxed on the whole amount, and not merely on that part which they choose to remit here. To the extent that it is a victory for common sense over formal logic his decision is praiseworthy: Edmund Burke said all that needs to be said on the conflict between expediency and right in the same House when it debated the taxation of the American Colonies 160 years ago.

The Americans, now as then, had a strong case. They cannot be expected to expatriate themselves from the merely warm frying pan of United States tax rates and jump into the roaring fire of the British tax scale. If they are to come to live and work here—and it is to our advantage that they should—they are not to be blamed for thinking that some fiscal carrot is needed. Clause 9 would have robbed them

of the carrot and beaten them with a harder stick than American taxmasters wield.

Granted, however, that the Chancellor has taken the right course regrets must yet remain. The sound fiscal principle (supported by the Royal Commission and already on many Statute Books) that earnings should be taxed where the duties are performed disappears. Foreigners working in this country will continue to enjoy an oasis of privilege denied to the natives who work by their side. And it is most reprehensible that the clause should have been introduced if the Government were not prepared to defend it against the pressure which was bound to be brought against it. Expediency may have deserved to win; yet mere British taxpayers may still be allowed to point out that the remittance basis is itself open to some abuse: when remittances of income only are liable, any foreigner working or resident here who possesses capital assets at home or can borrow on loan account there is free to remit his capital to this country tax free and in its place to build up untaxed savings in the United States out of the unremitted income. To many foreigners working here, as in the past, the payment of United Kingdom tax will continue to be a voluntary act of grace on their part. They may not be able to afford to live here if they pay British tax on their full incomes. Let them in charity spare a thought for the British who have to.

Less Large Coal

So far this year about 2½ million tons of coal have been imported and about 4½ million tons supplied for export or foreign bunkers; the National Coal Board has been losing about £3 10s. a ton on the coal it brings in and making an export premium of, say, £1 10s. a ton on what it sends overseas. A few weeks ago it agreed to increase its exports to the Schuman Community in the third quarter of the year by a million tons, which suggests an export total of 8-9 million tons: its import plan is for 6½ million tons, though it may get by with rather less. At the end of the coal winter Britain had about 3½ million tons more coal in stock than at the same time in 1955. Inland consumption in the first 22 weeks of the year was about a million tons higher than in the same period of 1955; although the coke ovens have taken 1½ million tons more coal so far this year, and the power stations over a million more tons, coal consumption in other industries has dropped.

Domestic consumers have bought slightly more coal than by this time last year, though less anthracite and boiler fuel; the total supplies of large coal are down by about 1½ million tons. Mr Aubrey Jones, Minister of Fuel and Power, was asked in the House this week about the abolition of fuel rationing, for which plans had been made this spring; he said

to end (restrictions on domestic coal supplies) now would necessitate further imports of large coal at a considerable cost to our balance of payments, and I could not advocate such a course at a time when our foreign exchange resources must be most carefully husbanded.

The latest official guess is that if coal rationing were ended domestic consumption might rise by at least 2 million tons; present domestic consumption amounts to about 30 million tons of coal a year, plus, presumably, some large part of

the 5 million tons of concessionary coal that miners choose to sell rather than waste. The abolition of rationing is also likely to await the report upon coal prices and distributive margins that a committee is now preparing. On coal prices, Mr Jones weathered his periodical barrage of questions from Mr Nabarro and company. He got in some effective counter-battery shots: recalling of Mr Nabarro's prophecy last summer that Britain's coal imports would have to be doubled in 1955, whereas they are in fact being halved, the Minister advised his faithful foe "to be a little chary of too forceful prognostications." This exchange, no doubt, served merely to exacerbate the vendetta; and at a later meeting of Tory MPs Mr Nabarro and his supporters refused all Mr Macmillan's persuasion to treat the coal industry as one entitled to a degree of independence.

Japan Backs Harwell

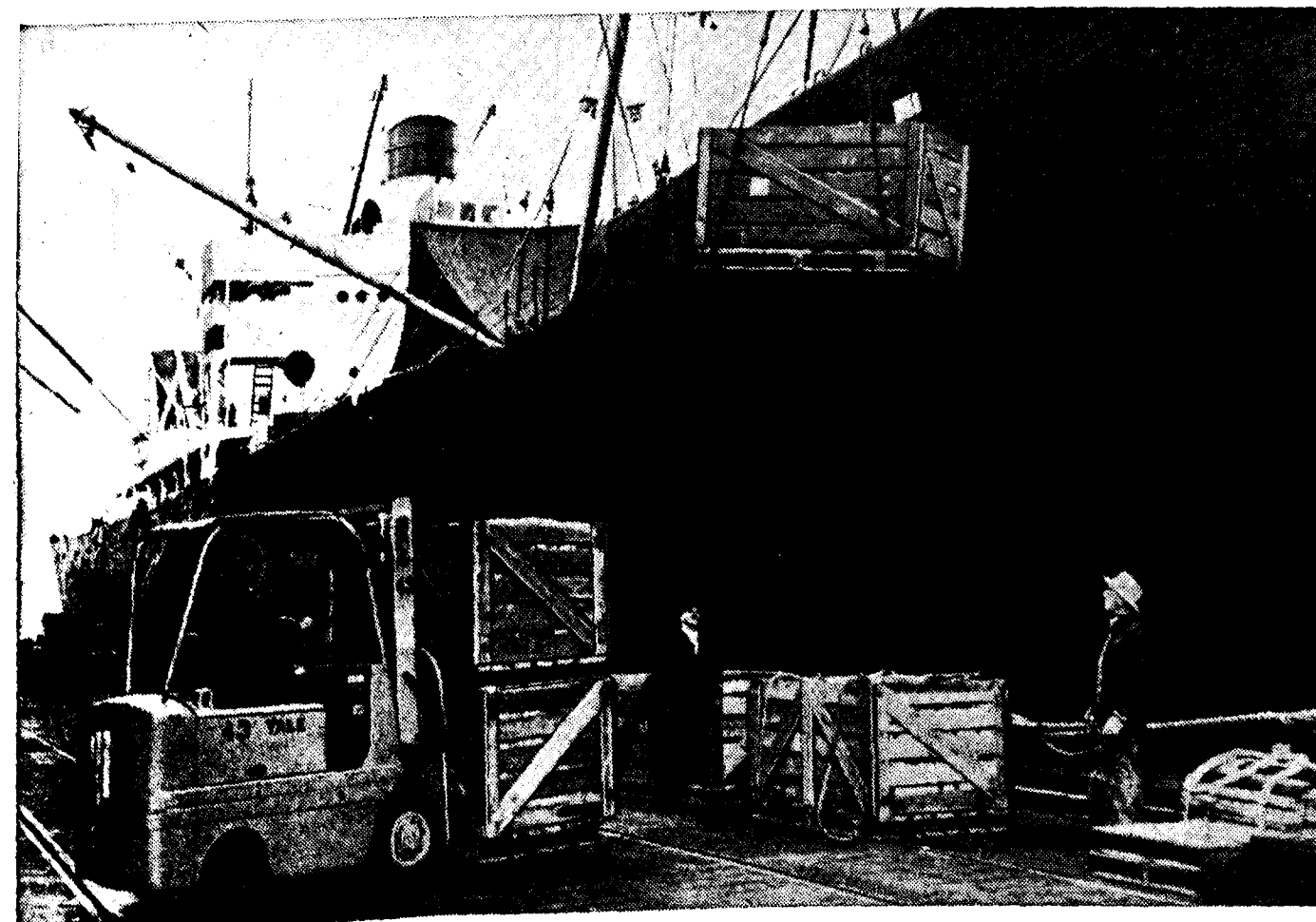
REPORTS that Japan has decided to buy an atomic power station from Britain modelled on the Calder Hall installation indicate a striking victory for Harwell. For months, British scientists have found themselves alone with their French colleagues in their belief that this simple type of installation could produce electricity at more competitive prices than the elaborate reactors under development in the United States. They have had to listen while it was described as a "Model T" among reactors, the poor man's plant for countries without the resources to provide the enriched fuel required by more advanced reactor types. Harwell has always maintained it was this costly fuel which would prove the economic undoing of advanced reactors and Japan, one of the few countries that both needs atomic power and can afford to pay for it, seems to have found the argument convincing.

A team of Japanese experts are expected to visit this country in September to discuss details and to see which of the four design teams in industry will supply the first power station. A key point in the early negotiations will be the terms on which fuel is supplied. Both Britain and the United States will insist, in such early sales as these, in removing the spent fuel elements, with whatever plutonium they contain, for processing at home and there have been earlier indications that Japan does not like this arrangement.

Exchanging Gas with Industry

RECENT developments in South Wales illustrate two important trends in the use and supply of gas in Britain—the success of the gas industry's campaign to promote the use of gas in industry, and the extent to which the area gas boards are relying on buying the extra gas from outside rather than making it themselves. In the country as a whole the use of industrial gas increased from 401 million therms in 1946 to 742 million therms in 1955, when it amounted to 28 per cent of all the gas consumed. What is more, this promotion of gas sales to industry has succeeded in the face of keen price competition from the fuel

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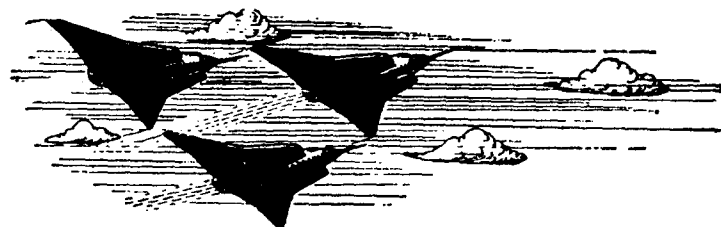
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oil offered from the many new oil refineries that have been built since the war. By contrast, sales of gas to domestic consumers have been relatively stagnant—the 1,362 million therms of domestic gas consumed in 1955 was an increase of only 47 million therms over 1946.

Equally striking has been the amount of gas purchased from coke ovens owned by the steel and coal industries, and more recently in the form of tail gas, from the oil refineries. The total purchases, collected and purified by area boards, and distributed through their lengthening gas grids, has risen from 264 million therms in 1946 to 402 million therms in 1955. In the country as a whole this represents less than 14 per cent of the total amount of gas distributed, but certain area boards rely on outside sources to a far greater extent than this. In a steel making area such as South Wales, the area gas board bought from coke ovens nearly 66 per cent of its total supply last year, and made only 34 per cent itself. Following its policy of collecting "all available gas from sources outside the gas industry . . . rather than carbonising further quantities of high-grade coal for gas production," the Wales Gas Board expects by 1960 to buy in as much as 85 per cent of its supplies. It already takes all the available gas from the Margam works of the Steel Company of Wales, and has several other long term agreements to buy coke oven gas from other steel firms and the National Coal Board.

An integrated steelworks commonly burns blast furnace gas as fuel for its coke ovens, which allows the much richer coke oven gas to be sold or to be used as fuel for steel-making. It depends largely on relative prices whether the works will use this gas itself or sell the gas and buy fuel oil for melting the iron. Though few steel plant managers admit that the price they get for their gas is reasonable, many of them evidently do consider the exchange is worth their while; and it is certainly much cheaper than most of the gas produced by carbonising coal in Britain. But one question must be continually before the gas boards that take a high proportion from outside: how far do their statutory obligations to provide a regular supply of gas allow them to become dependent on sources outside their immediate control?

The Transport Commission Speaks Out

UNTIL the railway modernisation programme bears its first major fruits, the Transport Commission faces a hard task in public relations endeavouring to correct the fashionable view that the railways are a naturally declining industry and—more particularly—to arrest the continuing decline in railway traffics. But the Commission is not neglecting opportunities to state its case. This week's tour of northern cities by the Chairman, Sir Brian Robertson, was used by him to announce some further new works planned for that area and to drive home some basic facts about his industry and its plans. He reminded his audience at Saltburn that "the small Southern Region . . . alone carries nearly as many passengers in a day as all the Class I railways in the United States"; on the freight side, too, "the density of traffic on the principal lines of the industrial areas of England is much heavier than is to be found in any other country except in a few very special areas." As Sir Brian himself pointed out "when a vast and

intricate organisation has been deprived of the means to improve or even maintain itself adequately over a long period of years it is quite impossible to transform it overnight." Nonetheless a "major revolution" was now in progress, not only in the adoption of new equipment but also in methods of operation, communications, and administration. Since building up freight train traffic is the Commission's present first priority, Sir Brian made a particular appeal to firms that have lately been acquiring large fleets of their own C licence vehicles to consider whether their interests would in future be better served by despatching more of their goods by rail.

The absolute dependence of all these plans upon continued government support for the Commission's programme of capital expenditure was emphasised by Sir Brian. This point had also been taken up by Sir Reginald Wilson, Chairman of the Eastern Area Board, at last week's opening of the extension of the Liverpool St.-Shenfield electric line to Chelmsford. Projected spending on railway betterment, as distinct from maintenance, amounts to £40 million a year; as Sir Reginald commented, this "burden" is less than one per cent on total investment already in use (measured at present values) and only a fifth of the prospective spendings on new roads and vehicles. It is difficult to see why this still relatively paltry sum should be either questioned or grudging.

Mr Clore or Mr Fraser?

MR HUGH FRASER, who has made the House of Fraser almost as synonymous with the take-over bid as Mr Clore has made Investment Registry, has now thrown his bonnet into the Scottish Motor Traction ring. Mr Clore has left his hat lying there but he has not improved on his original bid. Because Mr Fraser has thrown in a tam o' shanter, Scottish shareholders in SMT (of which Mr Fraser himself is one) may find it more attractive than the more sombre City homburg of Mr Clore, even though Mr Clore has said that SMT will remain "essentially a Scottish concern." But before they listen to the promptings of national sentiment shareholders must consider the hard facts, and they must do so by June 18th for Mr Clore has not extended the time of his offer. The directors of SMT have already rejected Mr Clore's bid and they have accepted on their own behalf Mr Fraser's offer. Have the few bawbees more that Mr Fraser is offering persuaded them that after all a take-over bid is not a sin?

Mr Clore's offer is straightforward. He has offered one non-voting 5s. "A" ordinary share in Sears Holdings, currently quoted at 15s. 1½d., for every 5s. ordinary share in SMT. Mr Fraser's is less simple. First he proposes, subject to the consent of the Capital Issues Committee, to make a 100 per cent free scrip issue of "A" ordinary shares, with limited voting rights, in the House of Fraser. Then he intends to offer three of these new shares for every four 5s. shares in SMT. The existing shares in the House of Fraser are quoted at 42s. 9d. and at current prices, allowing for the scrip issue and the limitation of voting rights, this offer is a few pence better than Mr Clore's. How much better it is impossible to say precisely until a price on the new Fraser shares is established and until the exact rights of this new class of capital are made public.

Shareholders in SMT, whose non-assented shares are now quoted at 13s. 6d., have thus the choice of accepting Mr Clore's firm offer at once or of letting it expire and waiting to see whether Mr Fraser obtains CIC consent and if so what the House of Fraser's "A" shares are worth. They must weigh the prospects of the House of Fraser against those of Sears Holdings. In the year to January 31st, the House of Fraser's trading profits went up from £1,482,609 to £1,810,259 and the ordinary dividend was 65 per cent, against the equivalent of 59 per cent. Mr Clore has already promised a Sears dividend of not less than 20 per cent and in his reply to Mr Fraser's bid he says that this dividend is covered about three times by earnings compared with a cover of about one and a half times on the Fraser dividend. Calculations of earnings always involve debatable concepts. Mr Clore reinforces his calculation with the observation that Sears is an industrial holding company while the House of Fraser is largely a drapery concern. One point that is not mentioned in Mr Clore's counter-reply is that he and Sears Holdings are actively considering a bid for two companies in the United States, adding up to the biggest deal Mr Clore has yet negotiated.

Dunlop's Own Plateau

THE modern industrialist has no love of price fluctuations. He likes steady raw material prices; he has learnt how to cope with steadily rising prices, but he abhors prices that bob up and down. A well organised and adequately used futures market enables him to iron out the major part of these fluctuations, but life would be much easier if the prices did not fluctuate.

That explains why Sir Ronald Prain's system of fixing copper prices is so popular with some consumers. It is also at the root of much that Lord Baillieu said to the shareholders of Dunlop Rubber Company this week. Lord Baillieu is not hostile to the natural rubber industry; with control of Dunlop Plantations and with big new areas now being cleared for rubber trees in Nigeria, he is deeply engaged in it; he firmly believes that rubber consumption will continue to grow, and that there is room for both natural and synthetic. But he looks to the growth of synthetic rubber consumption to produce a more stable price for natural rubber.

Certainly rising prices of natural rubber were one of the Dunlop company's main troubles last year, when the proceeds of the £12 million debenture issue, intended to cover capital expenditure for some years, were absorbed in a single year, and when (towards the end of the year) the group's requirement of working capital was increased by no less than £20 million. Lord Baillieu speaks strongly on the subject. But significantly it is not the high prices of rubber that form his chief complaint, but the wide fluctuations. What really hurts is the difference of no less than 65 per cent between the lowest price of the year (26d. per lb), and the highest (43d.).

How does Lord Baillieu, with his preference for steady prices, react towards those who arraign Dunlop for stabilising their own prices—the Monopolies Commission? His words had the quiet dignity of one accused of doing what he feels is right: "We welcome the prospect of examining any evidence which may be given (before the proposed new

tribunal) against the practices which the industry has adopted over the years, and we look forward to the reasoned judgments which the new tribunal will give, so that industry may know why, if at all, its practices are contrary to public interest."

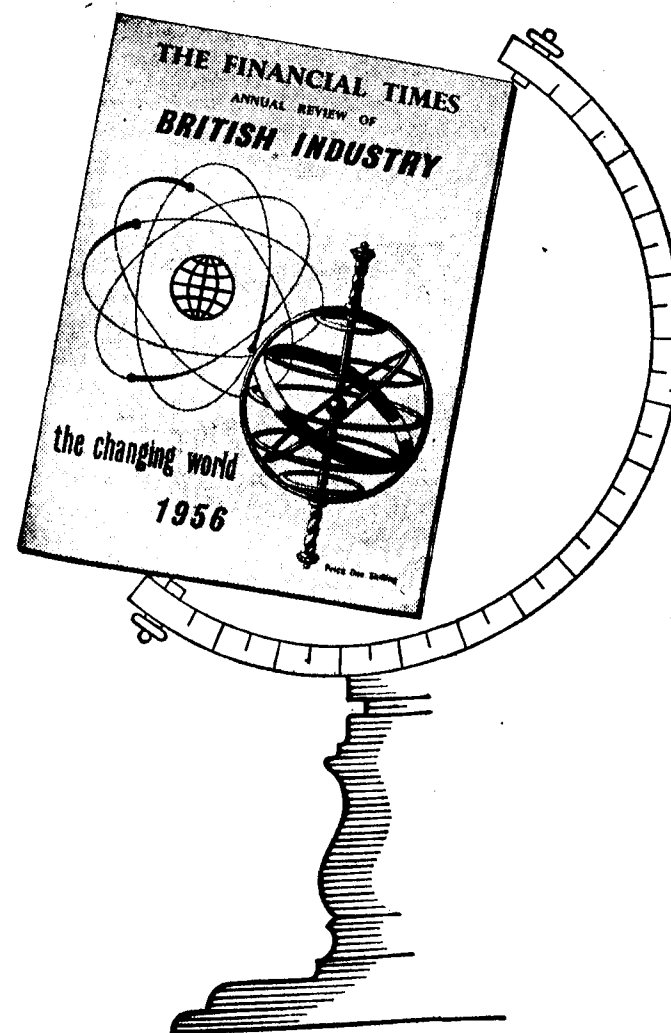
Financing the Nationalised Industries

A LITTLE further light has dawned upon the Government's plan to finance the long-term capital needs of the nationalised industries, for the next two years, by direct advances from the Exchequer. It was shed by the Chancellor himself—shortly before 6 a.m. during Tuesday's prolonged sitting in Committee on the Finance Bill. Some hours earlier an attempt had been made to broaden the debate into a discussion of the wider relations of the nationalised industries to the state, when the House was enlivened by a neat reversal of the customary party roles—with Tory back-benchers attacking the plan, and Mr Harold Wilson supporting it, on the supposition that it might bring these industries more directly under the ægis of Government control. But Mr Macmillan wisely refused to accept this broader line of debate; he promptly returned it to the plane of technique.

The change, he reaffirmed, was designed solely to avoid embarrassment to the Government's monetary policy and its debt management in general. Since the former system of government guarantees and official support for the stock issues of the boards had in practice put upon the Exchequer the burden of providing "at least the bulk" of their capital needs, he thought it better that the Exchequer "should be in control of the whole operation." There would, he thought, be "no effect whatever" upon the control of the responsible ministers or of the Treasury over the actual capital schemes involved; and he also reiterated the Government's determination to stick to the two year time limit. The exact details of the financing procedures have not yet been settled, but, in conformity with Treasury practice for other purposes, the finance will not be afforded by maturity loans; at the choice of the borrower, repayments will be by equated annuities or by equal instalments of principal throughout the life of the advances. The periods selected will be related to the life of the assets being created, and will most probably range between 25 and 40 years—though possibly with shorter periods for the Airways corporations. The rates of interest charged will correspond broadly to those paid by the Government itself on its own borrowings for like periods. For example, on this footing, the rate charged by the Exchequer at present for loans of over 15 years is 5 per cent. The loans will probably be made at regular intervals, and will be shown as new "below-line" issues in the weekly Exchequer return.

£15 Million Iron Ore Plan

PLANS are now announced for a substantial increase in the output of the iron ore from Tonkolili, the new mining area in the northern province of Sierra Leone. It is planned to provide an additional maximum production



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of 3.6 million tons of ore per year at a cost in capital expenditure of about £15 million. Sierra Leone Development Company, the privately owned company of which the shareholders are Northern Mercantile and Investment Corporation, William Baird and Company and the United Africa Company, is now arranging to extend its operations to that extent. The scheme includes the construction and equipment of 73 miles of 3 ft. 6 in. gauge railway, the necessary mining and power plants, extensions to the company's port at Pepel, with housing, welfare buildings, road and other ancillary services. Two leading city houses, Robert Benson Lonsdale and Company and N. M. Rothschild and Sons, are being consulted on the raising of the additional capital for which application to the Capital Issues Committee has been made.

Exchange Account's Sterling

THE capital resources of the Exchange Equalisation Account are this month being reduced by the return to the Exchequer of £300 million of its holdings of sterling, since these holdings have been substantially increased by the net sales of gold made by the Account in these past two years. The return of the sterling will extinguish the advance of a similar amount made by the Exchequer in May, 1954, when the inflow of "hot" money to Britain was sharply raising the gold reserves; and it will reduce the Account's total outstanding borrowings from the Exchequer to £675 million. These borrowings represent only part of the total resources of the Account; the full total is never disclosed, but it may be noted that at end-May the sterling value of the holdings of gold and dollars was just under £850 million. Since the Account must retain an adequate working balance in sterling, it is evident that even after this month's adjustment the undisclosed portion of its resources will amount to some hundreds of millions.

In future, it is intended to keep the size of the sterling holdings more constantly related to the Account's working needs; transfers of sterling to or from the Exchequer are to be made in smaller amounts and at more frequent intervals than in the past. These adjustments are of technical significance only, since the Account does not receive or pay cash at the moment when it raises or repays an advance. Any funds borrowed, or received from sales of exchange, are lent to the Treasury, normally against issues of "tap" Treasury bills, until they are needed for purchases of exchange—when the Treasury redeems the tap bills from funds raised by its market issues of tender Treasury bills or by other means. The new procedure will therefore have the effect of keeping the two processes of Exchange Account financing—the formal internal advances and the real borrowings on the market—more nearly in step. It will keep down the volume of tap Treasury bills and minimise the fluctuations in them, so that the total floating debt will conform more closely to its effective size.

ICFC and the Squeeze

THE Industrial and Commercial Finance Corporation sees every aspect of the credit squeeze. Its chairman, Lord Piercy, who is no advocate of dearer money, may

view the squeeze with an unenthusiastic eye but no one can doubt that he sees more of its effect on the small and medium sized companies than do most observers. ICFC itself, Lord Piercy explains, has been caught in a double squeeze—on one side by the tighter controls on investment by the Capital Issues Committee with an extension of its control to all amounts over £10,000 and on the other side by a restriction by ICFC's own shareholders on the provision of new money. ICFC raised a further £2 million on loan in the year to March 31st but since May 1955 it has relied on repayments and realisations (amounting to £3,153,000 in the year) as its chief source of finance for new business. The rate of these repayments will probably slow down because the enterprises it has sponsored may lose access to other sources of finance. As a result ICFC has had to "select rigidly even among propositions of a highly eligible kind" and the flow of business it has transacted has slackened.

INVESTMENTS AND EARNINGS (£'000s)

Years to March 31	1953	1954	1955	1956
New business	2,952	4,003	5,474	5,028
Repayments, etc.	2,041	2,122	3,633	3,153
Net total investments ...	26,286	27,827	28,622	32,193
Gross income	1,341	1,481	1,968	2,277
Interest	540	627	676	891
Taxation	383	388	572	590
Dividend	165	206	216	216
Retained profits	253	260	503	580

The queue of applicants was long and Lord Piercy regrets that "funds and in some cases CIC consent have, for many of them, not been available." In the year to March 31st the net new volume of business came to £5,028,000, against £5,474,000 in 1954-55, though 443 applicants, against 383, came knocking at ICFC's door. Only a handful of the applicants were deterred by the thought of having to pay higher interest rates, at up to 7 per cent on mortgage security, and when those dropped out many were waiting to take their place. Even at these rates the applicants were thinking in terms of expansion and of further investment. Lord Piercy thinks that way too. The whole tenor of his remarks in the annual report of ICFC is that the rate of industrial investment in Britain is low, possibly too low, and that a balance in the economy should be secured without "a strangulation of needed investment." He regrets the effects that the squeeze may have upon investment but, like it or not, he and ICFC have to live in its grip.

Changes in Argentina?

DISCUSSIONS between the representatives of the Central Banks have been going on this week at the Bank of England to arrange the technical details of the Paris agreement by which Argentina undertook to adopt a freer system of international payments and to consolidate and pay off its commercial debts. In particular they are concerned with associating Denmark and West Germany with the new

arrangements. But the principal architects of the new scheme, Dr Garcia, the Finance Minister, and his under-secretary, Dr Verrier, have lost their positions in the Argentine Cabinet. This reshuffle preceded and had nothing to do with the abortive revolt of last week-end. Moreover, the latest reports from Buenos Aires suggest that as far as exchange policy is concerned the move towards freedom continues. The main differences between Dr Garcia and the majority of the Cabinet concerned domestic matters, and in particular whether Argentina should retain a part of the previous structure of economic controls. Dr Garcia, a believer in complete freedom, was defeated on that issue.

The present discussions are at a technical Banking level, but a fresh opportunity for testing Argentina's new external economic policy will come soon in the Anglo-Argentine meeting at which the extension of Anglo-Argentine trade and payments arrangements will be negotiated. These arrangements come to an end on June 30th, and they must now be dovetailed into the new multilateral trade and payments arrangements negotiated in Paris. In particular the clause in the Anglo-Argentine agreement requiring immediate repayment of the Argentine debt due to the British government by reason of the utilisation of the "swing" in the payments agreement will have to be re-written in terms of the new agreement to spread repayment of all accumulated debts over ten years.

The coming Anglo-Argentine discussions will also provide the occasion for raising once again the claims of the British-owned public utilities, Primitiva and Anglo-Argentine tramways. These raise twofold problems: the backlog of financial services and compensation to shareholders. These claims have been trailing—some of them in the courts—for years. When Dr Verrier was in London recently he made optimistic references to their settlement; with his departure from the scene the outlook seems as obscure as ever. But these claims must be settled in a reasonable manner before trade and payments relations between Argentina and this country can be restored to normal.

Prescriptions for Kaffirs

SIR ERNEST OPPENHEIMER has some prescriptions for the gold share market in his address to the stockholders of Anglo American Corporation of South Africa. The two most important are addressed not to investors but to the South African Government. The government should, he argues, consider further reliefs of mining taxation; Sir

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Ernest is grateful for the small concession that Mr Louw granted in this year's budget, but he reminds the Minister that the present mining taxes were fixed in the boom years and that much more difficult times have since arrived. Secondly Sir Ernest advises his government to be more conciliatory and more moderate in its political and racial policies.

What worries Sir Ernest at the end of a year of sharply higher profits and record gold production is that the mining finance houses have been disappointed recently in their hopes of selling gold shares to the public. He emphasises that unless there is wide public interest in the gold share market enabling the finance houses to sell the shares of their new enterprises mining development must be limited to the resources of the sponsoring houses which, though large, are not inexhaustible. In 1955 opportunities for realising investments were limited and have remained so in the first five months of this year.

SHORTER NOTES

Elliott Brothers' "405" digital computer is now in full production, and is to be marketed in this country by the National Cash Register Company, Ltd. Although information is at present fed into this moderate-sized computer on perforated paper tape or punched cards, the machine can run on magnetic tape, when the auxiliary equipment becomes available to supply or receive the data in this form. One feature of the Elliott system is its flexibility, as it can be built up to suit users' requirements, using a wide variety of input and output equipment of different makes. The cost of a complete system varies from £30,000 to £100,000.

The reduction in strategic stocks will not at present apply to the stock of natural rubber, the President of the Board of Trade announced this week.

In return for the sale to Britain of \$12 million worth of American tobacco for sterling, the British Government will build houses to the equivalent value for American servicemen in this country. The houses will remain British property. This is similar to the arrangement made last year.

The directors of Thomas De La Rue have left the ordinary dividend unchanged at 30 per cent for the year to March 31st last. In that year the gross trading surplus of the group rose from £833,890 to £899,807 and its net income from £286,787 to £319,303, from which the ordinary absorbs £157,883.

Bowater Paper Corporation of North America has offered to buy the undertaking of the Mersey Paper Company of Liverpool Nova Scotia which has a present capacity of 140,000 tons of newsprint a year. If the offer is accepted it plans to build a groundwood pulp mill nearby with a capacity of 100,000 tons of pulp a year.

Representatives of the countries which have ratified the International Tin Agreement will meet in London on June 20th. They are expected to decide that the agreement should come into effect on July 1st, and that the Tin Council should meet shortly afterwards.

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Company Notes

NCHANGA CONSOLIDATED.

—Through Rhodesian Anglo American, Nchanga is one of the copper companies in the Anglo American stable but unlike other Rhodesian copper producers it draws up its accounts on March 31st. Thanks to higher copper prices, which on the average must have brought into Nchanga's coffers about £100 a ton more than in 1954-55, it has had an exceptionally good year. Copper production at Nchanga is unlikely to have shown much change over the year, though probably a little more of it was in the form of electrolytic. The Company's profits before tax have jumped from £16,362,000 to £25,670,000. Taxation has risen from £6,180,000 to £9,450,000, and after allowing for the transfer of £875,000 in and out of the equalisation reserve to balance the movement in the "pipeline" stocks, the net profit on normal sales is £17,095,000, compared with £9,307,000.

Not all that profit has been paid over in dividends and £6,500,000 has been tucked away into reserves. But there has been a good increase in net dividend payments, which for 1955-56 absorb £10,500,000 (against £7,875,000). Net of Rhodesian tax, the full year's dividend is 30s. per £1 share, against 22s. 6d. Shareholders with British addresses will receive dividends less British income tax at a rate reduced by the provisional allowance for double taxation relief. Although copper is now considerably more than £100 below its peak, Nchanga as a low cost producer will continue to operate with a good margin of profit in hand.

BRITISH CELANESE. Stockholders in British Celanese were half prepared for a cut in the ordinary dividend. In November the chairman, Mr G. H. Whigham, had warned them that there had been a substantial reduction in earnings and that though the interim dividend was maintained unchanged at 3 per cent the final dividend would have to depend on the results for the year and on "a review of general conditions." And because of British Celanese's highly geared capital structure, stockholders must have been aware that dividends are vulnerable when profits decline. Then, too, these stockholders had learned of the drop in Courtaulds' earnings which confirmed the impression that margins in the rayon industry were being squeezed.

British Celanese's £1 stock was already set on a high yield, but nevertheless when the actual cut in the ordinary dividend from 10 to 8 per cent was announced, the £1 units lost a further 10½d. to 18s. 4½d., bringing other rayon shares down with them. At this price they yield 8.7 per cent. This yield reflects something more than the fall of 26½ per cent in gross profits (from £3,341,246 to £2,446,550) and of 28½ per cent in net profits (from £1,710,140 to £1,227,216), depressing though these are. It reflects

a still unresolved doubt about how far the recession has to go. The directors of British Celanese do not mince matters. They say that "while it has been a year of intense competition, with lower prices in some cases, turnover has been maintained. The main cause of the reduced profits has been the rapid and continual increase in costs, which, due to the competition, could not be recovered by in-

	Years ended	
	Apr. 2, 1955	Mar. 31, 1956
Consolidated earnings:—		
Gross profit	3,341,246	2,446,550
Taxation	1,631,106	1,219,334
Net profit	1,710,140	1,227,216
Ordinary dividends	426,677	345,853
Ordinary dividends (per cent)	10	8

£1 ordinary stock at 18s. 4½d. yields 8½ per cent.

creased prices." From the preliminary figures it is evident that Celanese has felt the pinch of competition more severely than Courtaulds, but there is no reason why the two companies should move in parallel. Celanese is a producer of acetate (it does not even use the word rayon). Courtaulds making both viscose and acetate, is more of a world-wide group and to an increasing degree a producer of the cheapest of textile raw materials—viscose rayon staple.

LONDON AND OVERSEAS FREIGHTERS. This company, whose vessels carry the London County Council's coat of arms on their bows, is a progressive concern—progressive in its shipbuilding policy, for it was quick to reserve berths for new tankers when the oil companies first let it be known that they were prepared to give long charters to owners who had tankers building, progressive in accountancy, for it has not relied upon the shipping companies' exemption order and neither creates nor maintains hidden reserves, progressive also in that it is one of a mere handful of companies that produce regular quarterly statements of earnings.

	OPERATING SURPLUS BEFORE DEPRECIATION		
	£'000s		
Quarter to:	1954	1955	Increase over previous year
June 30 ...	350	434	84
Sept. 30 ...	350	436	86
Dec. 31 ...	380	530	150
Mar. 31 ...	365	562	197
Total	1,445	1,962	517

In the preliminary report for the year to March 31, 1956, when the company was reaping the results of its foresight with eleven modern tankers in its fleet, the chairman, Mr Basil Mavroleon, was optimistic. He "confidently anticipates, in the absence of marine catastrophes" the maintenance of the increased rate of

dividend (15 per cent, against 10 per cent) on the capital as increased by the proposed three for five free scrip issue. Last year saw a steady rise in earnings.

Shareholders had expected something extra, but were still taken by surprise. After the announcement the shares jumped 9s. to 83s. 6d. then forged steadily ahead to 100s. Allowing for the scrip issue the anticipated dividend would yield present holders the equivalent of 4.8 per cent. The dividend absorbs £215,625 of the net profit of £1,029,332 (compared with £736,936 in 1954-55). The provision for tax was £165,000; in the previous year it was completely eliminated by investment allowances, which still offset one-fifth of the cost of new tonnage. It was a good year indeed, but Mr Mavroleon many months ago warned stockholders that even long-term arrangements come to an end.

ULTRAMAR. Few companies have started with a finer array of city backing than did Ultramar, which set out in partnership with the Texas Company to exploit the Caracas oilfield in Venezuela. Yet few companies have had a more chequered career. The new oil wells in their early days produced far less than had been hoped for and the Finance Corporation for Industry stepped in to finance what looked then a slender chance of success. Now FCI's money and all the other prior charges amounting to over £5½ million have been repaid. The wheel of fortune has turned another revolution and for the first time ordinary shareholders receive a payment—not a trading dividend but a 10 per cent tax free distribution from an exchange surplus.

Ultramar owns the whole of Caracas Petroleum (CPSA), which owns a half share in Mercedes and Manapire; the Texas Company owns the other 50 per cent. Mercedes and Manapire are not yet paying dividends, but last year they earned a net income of \$2,639,964 (including \$531,886 from the sale of equipment), compared with \$914,774 in 1954. Through CPSA, the Ultramar group secured in royalty payments £1,025,430 last year (against £798,795) and its net income rose from £584,070 to £756,167. On the basis of these figures, now that the service charges on the loan stock have disappeared, shareholders will hope for a trading dividend one day. But how much it might be is anyone's guess. Their immediate hopes are more likely to be centred on the possibility of further tax free distributions from the exchange surplus.

Ultramar carries its advances to its subsidiary CPSA at \$3.89 to the £ and hence repayments at the current rate of exchange yield an exchange surplus. Last year the repayment of \$7,388,431 by CPSA (made possible in part by the bank loan of \$3,600,000 raised by CPSA in New York and in effect having financed the last part of the repayment of Ultramar's own Loan Stock) brought the exchange surplus up to £1,637,080. If CPSA repaid all its outstanding dollar advances of \$22.9 million to Ultramar, there would be a

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further surplus on exchange of £2,297,000. But this cannot happen at once. So long as the bank loan to CPSA exists—and it is being extinguished at the rate of \$400,000 every six months—Ultramar cannot pull down its advances to CPSA below \$15,000,000. And the rate at which CPSA reduces its debts to Ultramar depends upon the ability of Mercedes and Manapire to repay their advances to CPSA. In equal shares CPSA and the Texas Company have \$34,553,008 outstanding on advances to Mercedes and Manapire, about \$6 million less than at the end of 1954. There is room for a gradual reduction in the chain of advances and thus for more tax free distributions by Ultramar as the years go on. Does this possibility justify a price of 40s. 6d. for the Ultramar 10s. shares? The speculators might give a tentative "Yes." But they would be hard put to it to explain why, just as it is difficult to explain precisely why the shares stood at 84s. 11d. in 1948 and at 38s. 6d. in 1951.

FORESTAL LAND. Among the early companies to benefit from Argentina's more liberal monetary policy is Forestal Land Timber and Railways, which produces Quebracho extract for tanning. At long last Forestal Land has been able to remit a dividend from its Argentine subsidiary. The company brings into account the Argentine company's 10 per cent dividend for 1955—£133,502; it has also received £49,718 from the accumulated dividends of 1950, 1951 and 1952. The chairman, Mr Gerard d'Erlanger, hopes to get the remittances for 1953 and 1954 in the near future. In all, Forestal Land has brought into account in 1955 £183,220 (against nil) from Argentina, so that its total net profit is only slightly lower at £388,535 compared with £401,719.

Unfortunately the rest of the story is not happy. The final dividend is 6 per cent, against 9 per cent, making a total of 9 per cent for 1955 against 12 per cent for 1954. Moreover, the chairman issues a serious warning that the tanning trade on which the company depends is in for a difficult time. Heavy leather tanning is feeling the impact of leather substitutes,

and in the first five months of this year there has been a sharp drop in sales, particularly in the United Kingdom, which is one of the company's most important markets. The fruits of the company's investment policy—particularly through its African subsidiaries—seem likely to arrive in the form of increased production at the very moment when that production may, at least temporarily, intensify the pressure on the market.

ARTHUR GUINNESS. Froth on Guinness's ordinary dividend this year is unlikely. That is the clear implication of the company's half-yearly statement. The interim dividend has been raised from 8 to 10 per cent simply to make the interim and final payments more equal. Lord Iveagh, the chairman, tells stockholders that "it does not imply any increase in the total dividend for the whole year; in fact on the situation as one sees it now I am bound to warn you that an increase in the total dividend is unlikely." For the year to September 30th last the total dividend was 25 per cent.

Sales, Lord Iveagh adds, are satisfactory, but costs are still rising, and the company is still trying not to increase prices. It has not made any change in its sale prices in Great Britain since 1951 nor in the Republic of Ireland since early in 1952. But how long can Guinness hold this firm front? Lord Iveagh hopes that the company will be able to do so, but he makes no firm promise because "the matter is largely outside our own control."

Recently, the company's profits from brewing have been buttressed by earnings from the newly acquired confectionery subsidiary, William Nuttall. Lord Iveagh reveals that this subsidiary's profits before tax came to £667,000 in the year to March 31st, about 10 per cent lower than the £741,000 earned in the previous year. Here, too, higher costs are pressing against margins, for over the financial year the William Nuttall group increased its sales. If Arthur Guinness leaves its ordinary dividend unchanged at 25 per cent, the 10s. ordinary stock units yield about 6½ per cent at 40s. 9d.

LONDON STOCK EXCHANGE

Next Account begins: June 20th

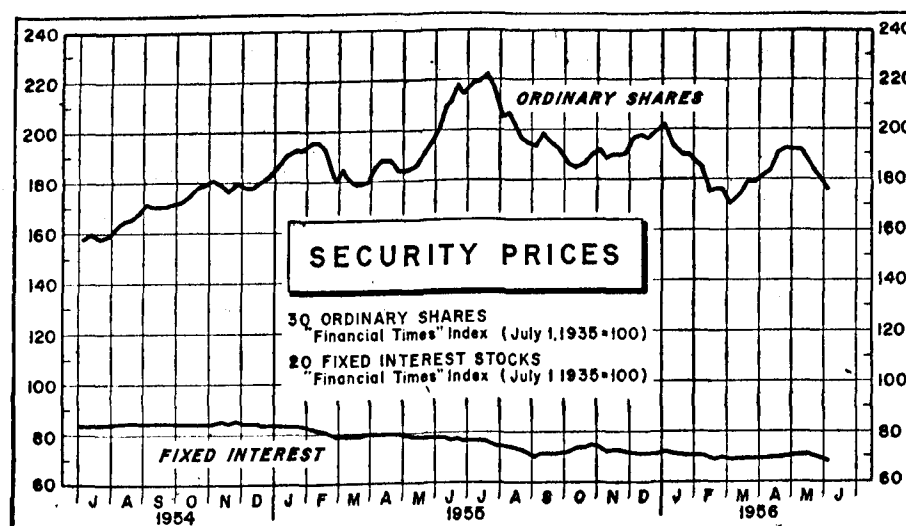
Next Contango Day: June 20th

Next Settlement Day: June 26th

At the beginning of the week Government securities receded from the highest points reached in last week's rally, but revived on Tuesday after the disclosure of the overseas trade returns for May. Short-dated issues remained firm and undated stocks improved, Old Consols gaining ½ to 53½d and 3½ per cent War Loan rising to 72½. Industrial stocks made moderate gains, but business was still limited.

Bank shares were quiet, but insurance shares improved, Legal & General gaining 1½ to 27½d and Royal Exchange ¾ to 7½. Stores recovered, both Marks & Spencer and Woolworth rising 1s. 9d. to 62s. and 58s. 3d. respectively. British Aluminium were again firm; the old shares rose 5s. to 57s. and the new 4s. 4½d. to 58s. Ford recovered 1s. 10½d. to 32s. 10½d. and Rolls-Royce gained 5s. to 101s. 3d. Hawker Siddeley rose to 36s. 7½d., but later receded to 34s. 3d. Imperial Tobacco recovered to 48s. 3d. and BAT to 48s. 9d. Textiles remained depressed, British Celanese falling 10½d. to 18s. 4½d. Steel shares recovered some lost ground; Dorman Long picked up 1s. 3d. to 30s. 4½d. and Stewarts & Lloyds 1s. 6d. to 65s. 9d.

The oil market was overshadowed by the weight of dealings in Trinidad Oil, which touched 75s., but then sank back to 60s. before recovering to 71s. Other Trinidad oil stocks improved and the leaders appreciated further; British Petroleum rose 5s. 9d. to 149s. 6d., Burmah 3s. 3d. to 94s. 6d. and Shell 5s. 7½d. to 178s. 9d. Anglo American Corporation lost ½ to 7½. Kaffirs remained quiet and were generally easier. Coppers hardened this week after earlier losses, Rhokana improving 1½ to 37½, but Tanks were slightly lower at 7½. Consolidated Zinc gained 1s. to 48s. 9d. and New Broken Hill 1s. 3d. to 39s., but tins tended to ease. London Tin lost 1½d. to 8s. 10½d. London Asiatic Rubber rose 1½d. to 2s. 10d. and Golden Hope 1s. 6d. to 25s. 6d. in a firmer market.



FINANCIAL TIMES INDICES

1956	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
June 7...	179.1	95.04	4.71	5.95
" 8...	178.3	95.01	4.71	5.97
" 11...	177.2	94.86	4.72	6.01
" 12...	178.4	94.96	4.71	5.97
" 13...	179.6	95.02	4.71	5.93
1956, High.	203.5	99.37	Total bargains 1956	
(Jan. 3)	(Jan. 3)	(Jan. 3)	June 7	7,500
" Low..	169.7	94.72	" 8	9,113
Mar. 8)	(June 5)	" 11	9,529	
1955, High.	223.9	115.97	" 12	7,990
(July 21)	(Jan. 7)	" 13	8,400	
" Low..	175.7	98.23		
(Mar. 15)	(Sept. 2)			

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, Jan. 1 to June 13, 1956		BRITISH FUNDS AND GUARANTEED STOCKS		Price, June 6, 1956	Price, June 13, 1956	Net Yield, June 13, 1956	Gross Yield, June 13, 1956	Prices, Jan. 1 to June 13, 1956		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, June 6, 1956	Price, June 13, 1956	Yield, June 13, 1956
High	Low					%	%	High	Low						%
98 1/2	97	Funding 2 1/2% '52-57		98 1/2	98 1/2	4 1/2	4 1/2	85/6	64/-	7 a	STEEL & ENGINEERING		74/-	76/-	3 18 11
99 1/2	98 1/2	War Bonds 2 1/2% '54-56		99 1/2	99 1/2	1 11 7	4 14 10 1/2	13/-	9/4 1/2	3 1/2 a	8 b Babcock & Wilcox £1		10/6	10/6	6 13 4
95 1/2	93 1/2	War Loan 3% '55-59		95 1/2	95 1/2	3 4 9	4 12 5 1/2	28/-	8/-	8 c	8 c Dorman Long £1		29/3	30/6	5 4 11
100 1/2	99 1/2	Exchequer 5% 1957		100 1/2	100 1/2	2 12 5	4 14 10 1/2	54/9	40/-	3 1/2 a	8 1/2 Guest Keen N'fold £1		44/9	46/3	5 3 9
99 1/2	97 1/2	Conversion 4% '57-58		98 1/2	98 1/2	3 4 2	4 18 6 1/2	55/6	41/6	4 a	6 b Metal Box £1		49/4	52/6	3 16 2
97 1/2	95 1/2	Serial Funding 2 1/2% 1957		97 1/2	97 1/2	3 6 0	4 6 8	75/-	61/-	12 1/2 b	5 a Stewarts & Lloyds £1		64/9	65 7/8	5 6 8
94 1/2	91	Conv. 2% 1958-59		95 1/2	94 1/2	3 12 4	4 9 5 1/2	48/-	39/-	8 b	4 a Summers (John) £1		43/-	43 3/4	5 11 0
91 1/2	88 1/2	Exchequer 2% 1960		91 1/2	91 1/2	3 13 1	4 12 9	57/-	46/6	3 a	11 b Swan Hunter £1		54/9	54 3/4	5 3 3
94 1/2	92 1/2	Exchequer 3% 1960		94 1/2	94 1/2	3 2 1	4 10 6	49/9	40/6	8 1/2 b	4 a United Steel £1		42/9	43/3	5 15 7
88 1/2	85 1/2	Savings Bonds 3% '55-65		85 1/2	85 1/2	3 14 3	5 3 7 1/2	44/3	32/4 1/2	2 1/2 a	7 1/2 Vickers £1		40/3	41/3	4 17 0
91 1/2	88 1/2	Funding 2 1/2% '56-61		91 1/2	91 1/2	3 8 8	4 11 11 1/2				TEXTILES				
82 1/2	78 1/2	Funding 3% '59-69		78 1/2	78 1/2	3 16 6	5 6 4 1/2	24/6	19/10 1/2	4 a	6 b Bradford Dyes £1		22/-	22/3	8 19 9
92 1/2	87 1/2	Funding 4% '60-90		88 1/2	89	5 11 4	7 9 1 1/2	23/7 1/2	18/-	3 a	5 b Brit. Celanese £1		19/6	18/6	8 13 0
81 1/2	76 1/2	Savings Bonds 3% '60-70		77 1/2	77 1/2	3 16 0	5 6 6 1/2	25/10 1/2	21/9	2 1/2 a	6 1/2 Coats (J. & P.) £1		22/3	22/6	7 15 7
91 1/2	88 1/2	Exchequer 3% '62-63		89 1/2	89 1/2	3 8 6	4 15 8 1/2	44/-	35/1 1/2	4 a	6 b Courtaulds £1		36/6	36/6	5 9 7
87 1/2	83 1/2	Exchequer 2 1/2% '63-64		85	85	3 13 1	4 16 8 1/2	21/3	16/-	7 1/2 b	5 a Fine Spinners £1		16/3	17/-	14 14 2
81 1/2	76 1/2	Savings Bonds 2 1/2% '64-67		77 1/2	78 1/2	3 19 0	5 3 10 1/2	30/-	23/-	5 a	7 1/2 Lanes, Cotton £1		23/3	23/6	10 12 10
79 1/2	73 1/2	Savings Bonds 3% '65-75		74 1/2	75 1/2	3 11 0	5 2 3 1/2	31/7 1/2	26/3	10 b	2 1/2 Patons & Baldwins £1		26/6	26/6	9 8 8
96 1/2	91 1/2	Victory 4% '20-76		92 1/2	93 1/2	3 2 10	5 0 0 1/2				MOTOR & AIRCRAFT				
83 1/2	78 1/2	Funding 3% '66-68		80 1/2	80 1/2	3 16 0	5 6 3 1/2	22/4 1/2	17/7 1/2	3 1/2 a	6 1/2 Bristol Aeroplane 10/-		20/-	20/-	5 0 0
88 1/2	83 1/2	Conv. 3 1/2% 1969		84 1/2	84 1/2	3 12 3	5 6 3	9/-	6/6	8 1/2 b	4 a British Motor 5/-		6/9	6/9	9 5 2
83 1/2	77 1/2	Treas. 3 1/2% '77-80		78 1/2	78 1/2	3 6 3	5 0 11 1/2	44/3	29/3	2 1/2 a	5 b Ford Motor £1		29/4 1/2	32/6	4 12 4
84 1/2	78 1/2	Treas. 3 1/2% '79-81		79	79 1/2	3 5 7	5 1 1 1/2	40/4	29/9	5 a	12 1/2 Hawker Siddeley £1		33/-	34/3	5 2 2 1/2
72 1/2	66 1/2	Redemption 3% '86-96		67 1/2	68 1/2	3 2 5	4 16 3 1/2	48/3	38/3	10 c	12 1/2 Leyland Motors £1		46/3	46/3	5 8 1
81 1/2	76 1/2	Funding 3 1/2% 1999-2004		76 1/2	76 1/2	2 18 3	4 14 5 1/2	115/10 1/2	85/6	5 a	12 1/2 Rolls-Royce £1		95/7 1/2	100/7 1/2	3 9 7
84 1/2	77 1/2	Consols 4% aft. Feb. '57		79 1/2	79 1/2	2 18 3	5 2 1 1/2				SHOPS & STORES				
77 1/2	69 1/2	War L'n 3 1/2% aft. Dec. '52		71 1/2	72 1/2	2 15 9	4 17 1 1/2	18/10	14/-	6 a	8 b Boots Pure Drug 5/-		14/6	15/6	4 10 4
76 1/2	69 1/2	Conv. 3 1/2% aft. April '61		70 1/2	72 1/2	2 16 3	4 18 2 1/2	38/6	29/-	20 b	7 1/2 Debenhams 10/-		34/-	35/3	7 16 0
66 1/2	59 1/2	Treas. 3% aft. April '66		61 1/2	62 1/2	2 15 9	4 17 4 1/2	44/9	32/9	45 b	15 a Gt. Universal 'A' 5/-		41/3	41/-	7 6 4
56 1/2	51 1/2	Consols 2 1/2%		52 1/2	53 1/2	2 13 11	4 13 8 1/2	71/11	57/10 1/2	17 1/2 a	32 1/2 Marks & Spen. 'A' 5/-		60/-	61/6	4 1 4
56 1/2	51 1/2	Treas. 2 1/2% aft. April '75		52 1/2	53 1/2	2 14 2	4 14 7 1/2	25/6	19/12	25 a	20 b United Drapery 5/-		21/3	21/9	7 9 5 1/2
98 1/2	92 1/2	Br. Elec. 4 1/2% '67-69		93 1/2	93 1/2	3 5 2	5 6 7 1/2	64/10 1/2	55/6	20 a	36 1/2 Woolworth 5/-		56/6	58/-	4 17 8
80 1/2	74 1/2	Br. Elec. 3% '68-73		75 1/2	75 1/2	3 13 10	5 4 7 1/2				OIL				
79 1/2	73 1/2	Br. Elec. 3% '74-77		74 1/2	74 1/2	3 9 8	5 0 11 1/2	160/-	99/-	15 a	10 b British Petroleum £1		143/9	148 1/2	3 10 5
95 1/2	88 1/2	Br. Elec. 4 1/2% '74-79		89 1/2	89 1/2	3 1 11 1/2	5 1 5 1/2	97/6	63/-	5 a	12 1/2 Burmah £1		90/7 1/2	95/9	3 14 8
83 1/2	77 1/2	Br. Elec. 3 1/2% '76-79		78 1/2	79 1/2	3 6 3	5 1 0 1/2	181	158 1/2	6 a	14 b Royal Dutch 100 fl.		176 1/2	176 1/2	2 9 0
90 1/2	85 1/2	Br. Gas 4% '69-72		87 1/2	87 1/2	3 7 1	5 5 4 1/2	180/9	129/-	15 a	13 1/2 Shell Reg. £1		173/9	176/10 1/2	3 11 10
87 1/2	82 1/2	Br. Gas 3 1/2% '69-71		82 1/2	83 1/2	3 9 11 1/2	5 4 1 1/2	75/-	31/10 1/2	12 1/2 c	15 a Trinidad Oil 5/-		40/9	68/3	...
73 1/2	67 1/2	Br. Gas 3% '90-95		68 1/2	69 1/2	3 2 0	4 15 4 1/2				SHIPPING				
80 1/2	75 1/2	Br. Trans. 3% '68-73		75 1/2	75 1/2	3 13 10	5 4 7 1/2	34/-	28/6	...	Brit. & Com. wealth 10/-		31/6	32/-	5 0 0 1/2
90 1/2	85 1/2	Br. Trans. 4% '72-77		85 1/2	85 1/2	3 4 3	5 1 8 1/2	27/-	21/3	2 1/2 a	7 1/2 Cunard £1		22/3	22/-	9 1 10
73 1/2	67 1/2	Br. Trans. 3% '78-88		68 1/2	69 1/2	3 5 3	4 17 8 1/2	35/9	27/-	3 a	5 b P. & O. Def. £1		27/6	29/-	5 10 4

(e) To earliest date. (f) Flat yield. (h) To latest date. * Ex dividend.
† Assumed average life approx. 11 years. § Less tax at 8s. 6d. in £.

Prices, 1955		Prices, Jan. 1 to June 13, 1956		TRUSTEE STOCKS AND FOREIGN BONDS		Price, June 6, 1956	Price, June 13, 1956	Yield, June 13, 1956
High	Low	High	Low					
94 1/2	79	80 1/2	77 1/2	Aust. 3 1/2% '65-69	79 1/2	79 1/2	5 9 6 1/2	60/9 42/3 7 1/2
101 1/2	87	87 1/2	72	Ceylon 4% '73-75	77 1/2	77 1/2	6 1 10 1/2	54/9 45/3 8 1/2
103 1/2	87 1/2	88 1/2	84 1/2	N. Zealand 4% '76-78	85 1/2	85 1/2	5 2 10 1/2	56/6 40/4 4 a
88 1/2	84 1/2	84 1/2	57 1/2	L.C.C. 3% aft. 1920	60	60	5 0 0	60/- 45/9 110 a
99 1/2	83 1/2	85 1/2	84	Liverpool 3% '54-64	85	85	5 7 1 1/2	56 1/2 45 1/2 3 b
84 1/2	65	68 1/2	63	M.Wtr. 'B' 3% '34-2003	65	65	4 18 3 1/2	37 1/2 24/9 43 c
102 1/2	94 1/2	97 1/2	94 1/2	Agric. Mort. 5% '59-89	94 1/2	94 1/2	5 7 0 1/2	25/9 18/9 4 a
122 1/2	91	112 1/2	102 1/2	German 7% 1924	106 1/2	106 1/2	...	66 1/2 47/3 4 a
213	149	199 1/2	187	German 5 1/2% 1930	191	192	...	66 1/2 50/3 9 1/2
212	160	220	208	Japan 5% 1907	219	219	...	49 1/2 41/3 4 a
254	190	260 1/2	247 1/2	Japan 5 1/2% Conv. 1930	257 1/2	257 1/2	...	62/9 45 1/2 4 a

Prices, Jan. 1 to June 13, 1956		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, June 6, 1956	Price, June 13, 1956	Yield, June 13, 1956
High	Low							
50/-	41/9	5 a	7 b	BANKS & DISCOUNT				
56/10 1/2	51/6	6 a	6 b	Barclays £1	44/-	44/6	5 7 10	60/9 42/3 7 1/2
72/4 1/2	66/10 1/2	9 a	6 b	Lloyds 'A' £5, £1 pd.	52/-	53/6	5 12 2	54/9 45/3 8 1/2
70/-	63/3	9 a	9 b	Midland £1, fully pd.	69/-	68/-	5 5 11	56/6 40/4 4 a
77/9	70/3	8 a	9 b	N. Prov. 'B' £5, £1 pd.	63/-	64/6	5 11 8	60/- 45/9 110 a
43/6	30/-	3 1/2 a	8 b	Westminster 'B' £4, £1 pd.	71/-	71/6	5 11 11	56 1/2 45 1/2 3 b
46/-	31/1 1/2	5 a	3 1/2 b	Alexanders £1	33/6	33/6	4 9 7	37 1/2 24/9 43 c
50/-	40/6	6 1/2 a	5 b	Nat. Disc. 'B' £1	36/6	36/6	5 9 7	25/9 18/9 4 a
35/9	30/10 1/2	4 b	6 1/2 b	Union Disc. £1	47/-	46/6	5 7 6	66 1/2 47/3 4 a
41/9	33/6	7 1/2 a	4 a	Barc. (D.C.O.) £1	31/6*	31/6*	5 1 7	66 1/2 50/3 9 1/2
			7 1/2 b	Chart. Bk. of India £1	35/6	37/-	8 2 2	49 1/2 41/3 4 a

Prices, Jan. 1 to June 13, 1956		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, June 6, 1956	Price, June 13, 1956	Yield, June 13, 1956
High	Low							
27 1/2	16 1/2	12 1/2 a	37 1/2 b	Leg. & Gen. £1	25 1/2*	26 1/2*	1 17 5	60/9 42/3 7 1/2
25 1/2	20	120 a	147 1/2 b	Pearl £1, fully pd.	21	22	5 6 8	54/9 45/3 8 1/2
48 1/2	40 1/2	117 1/2 c	125 c	Prudential 'A' £1	46	46	4 14 6	56/6 40/4 4 a

Prices, Jan. 1 to June 13, 1956		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, June 6, 1956	Price, June 13, 1956	Yield, June 13, 1956
High	Low							
119/-	111/-	33 b	10 a	Bass £1	116/3	115/-	7 9 7	60/9 42/3 7 1/2
24/10 1/2	20/-	10 1/2 b	6 a	Distillers 6/8	21/-	21/6	5 2 4	54/9 45/3 8 1/2
45/10 1/2	38/6	25 c	10 a	Guinness 10/-	40/-	40/7 1/2	6 3 0	56/6 40/4 4 a
76/-	67/6	7 a	14 b	Whitbread 'A' Ord. £1	71/3*	69/4 1/2*	6 1 2	60/- 45/9 110 a

June 6		June 13		June 6		June 13		June 6		June 13	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balt. & Ohio	49	48 1/2	Am. Smelting	51 1/2	52	Inter. Paper	130	130 1/2	130	130 1/2	130 1/2
Can. Pac.	31 1/2	31 1/2	Am. Viscose	36 1/2	36 1/2	Nat. Distill.	24	25 1/2	24	25 1/2	25 1/2
N.Y. Cent.	37 1/2	38	Cel. of Am.	15 1/2	15 1/2	Scars Roebuck	30	31	30	31	31
Pennsyl.	24	24	Chrysler	61 1/2	65	Shell	79	80 1/2	79	80 1/2	80 1/2
Amer. Tel.	179 1/2	180 1/2	Gen. Elec.	57 1/2	58	Std. Oil of N.J.	57 1/2	58 1/2	57 1/2	58 1/2	58 1/2
Stand. Gas	11 1/2	11	Gen. Motors	42 1/2	43	U.S. Steel	54 1/2	55 1/2	54 1/2	55 1/2	55 1/2
United Corp.	6 1/2	6 1/2	Goodyear	67 1/2	68	Westinghouse	53 1/2	54 1/2	53 1/2	54 1/2	54 1/2
W. Union Tel.	19 1/2	18 1/2	Inter. Nickel	93 1/2	93	Woolworth	46 1/2	48 1/2	46 1/2	48 1/2	48 1/2

June 6		June 13		June 6		June 13		June 6		June 13	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Bowater Paper	53/9	54/4	4 2 9	Anglo-Amer. 10/-	7 1/2	7 1/2	4 18 3	De Beers 5/- Def. Reg.	97/6	98/9	10 2 5
B.R.I.C.C. £1	49/6	51/6	4 17 4	Free State Geduld 5/-	87/6	84/4	Nil	Randfontein £1	39/3	39/9	17 11 8
Brit. Amer. Tob. 10/-	47/6	48/6	6 5 6	London Tin 4/-	9/-	9/-	13 6-8	Rhokana £1	36	37	7 1 8
Canadian Pacific \$25	58 1/2	58 1/2	4 13 2								
Decca Record 4/-	27/6	28 1/2	7 2 2								
Dunlop Rubber 10/-	19/3	19/6	7 3 7								
English Elect. £1	51/10	55/-	4 10 11								
General Elect. £1	53/9	55/-	5 1 10								
Imp. Chemical £1	43/3	45/-	4 8 11								
Imp. Tobacco £1	47/6	48/-	8 15 0								
Inter. Nickel n.p.v.	170 1/2	170 1/2	3 18 1								
London Brick £1	53 1/2	53 1/2	7 10 6								
Monsanto Chemicals 5/-	25/6	26/6	4 8 11								
Tate & Lyle £1	62/-	62/-	5 8 8								
Tube Investments £1	57/6	58/9	4 15 4 1/2								
Turner & Newall £1	99 1/4	101/10 1/2	4 18 3								
Unilever £1	76/3	77/9	4 1 0								
Union Molasses 10/-	40/7 1/2	40/6	3 2								
Cons. Tea & Lands £1	26/3	27/6	12 17 10								
London Asiatic Rbr. 2/-	1/10 1/2	2/-	20 0 0								
United Suda Betong £1	40/7 1/2	44/4	20 5 7								

June 6		June 13		June 6		June 13		June 6		June 13	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Anglo-Amer. 10/-	7 1/2	7 1/2	4 18 3	De Beers 5/- Def. Reg.	97/6	98/9	10 2 5	Free State Geduld 5/-	87/6	84/4	Nil
Randfontein £1	39/3	39/9	17 11 8	London Tin 4/-	9/-	9/-	13 6-8	Rhokana £1	36	37	7 1 8

June 6		June 13		June 6		June 13		June 6		June 13	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Am. Smelting	51 1/2	52	Inter. Paper	130	130 1/2	130	130 1/2	Am. Viscose	36 1/2	36 1/2	24
Nat. Distill.	24	25 1/2	Scars Roebuck	30	31	30	31	Cel. of Am.	15 1/2	15 1/2	79
Shell	79	80 1/2	Std. Oil of N.J.	57 1/2	58 1/2	57 1/2	58 1/2	Chrysler	61 1/2	65	54 1/2
U.S. Steel	54 1/2	55 1/2	Westinghouse	53 1/2	54 1/2	53 1/2	54 1/2	Gen. Elec.	57 1/2	58	53 1/2
Woolworth	46 1/2	48 1/2						Gen. Motors	42 1/2	43	67 1/2
								Goodyear	67 1/2	68	93
								Inter. Nickel	93 1/2	93	

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
WHOLESALE PRICES ⁽¹⁾ (1953 = 100)												
1948	42	94	74	65	90	...	...	104	75	66	72	94
1954	105	99	100	98	98	112	106	101	101	101	100	111
1955	108	101	103	98	101	120	110	101	102	102	104	119
1955, December	106	102	106	100	101	125	111	102	102	103	107	128
1956, January	106	103	105	100	102	126	...	103	103	103	108	131
" February	108	104	106	103	102	126	...	103	104	104	109	...
" March	109	105	107	101	...	...	...	104	104	104	109	...
" April	108	104	...	102	...	...	...	...	...	...	...	...
COST OF LIVING ⁽²⁾ (1953 = 100)												
1948	50	95	81	60	93	63	79	86	77	74	77	89
1954	103	101	101	100	100	115	100	103	104	105	101	110
1955	105	101	107	101	102	122	103	106	106	106	104	118
1955, December	107	102	...	102	104	125	...	107	106	106	107	130
1956, January	107	102	110	102	104	125	...	108	106	106	107	132
" February	107	102	...	103	104	126	106	110	107	106	107	...
" March	107	103	...	103	...	...	...	107	107	107	108	...
" April	...	103	...	103	...	...	...	107	...	...	...	...
IMPORT PRICES ⁽³⁾ (1953 = 100)												
1948	37	84	84	59	...	...	83	98	85	80	72	113
1954	96	96	97	98	96	...	101	100	95	98	99	104
1955	94	97	98	97	100	...	105	101	97	100	99	100
1955, October	94	98	98	98	102	...	108	101	96	101	101	118
" November	94	97	...	...	101	...	109	102	96	98	101	102
" December	94	97	...	...	100	...	107	102	95	105	105	115
1956, January	98	...	...	...	101	...	107	...	96	102	...	...
" February	93	...	...	...	101	...	107	...	...	97	...	...
EXPORT PRICES ⁽⁴⁾ (1953 = 100)												
1948	42	95	91	68	...	...	79	103	96	84	76	91
1954	99	94	99	95	96	...	98	104	100	99	98	97
1955	102	97	101	95	98	...	102	102	101	107	102	111
1955, October	99	99	106	94	97	...	103	101	102	108	105	112
" November	100	100	...	...	99	...	103	102	102	107	105	112
" December	96	101	...	...	99	...	103	105	104	115	105	116
1956, January	100	...	...	...	99	...	103	...	99	114	...	...
" February	101	...	...	...	102	...	101	...	...	115	...	...
TOTAL MONEY SUPPLY ⁽⁵⁾												
End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	'000 mn. kroner	mn. liras
1948	...	154.0	7,110	2,165	11.48	1,984	110.3	1,989	7,385	6,937	7.67	1,715
1954	28.26	187.3	7,369	5,266	26.41	9.30	152.2	4,036	9,172	9,162	11.09	3,869
1955	28.62	...	7,433	5,292	29.07	...	154.7	...	9,967	9,353	11.29	...
1955, October	29.55	...	7,165	5,676	27.51	11.31	158.7	...	9,816	9,237	10.53	...
" November	28.67	...	7,406	5,728	27.70	11.54	153.6	...	9,960	9,180	10.45	...
" December	28.62	...	7,433	5,992	29.07	...	154.7	...	9,967	9,353	11.29	...
1956, January	27.82	...	7,192	...	...	...	153.8	...	9,188	...	10.70	...
" February	27.49	...	7,400	...	...	...	151.1	...	9,225	...	...	...
GOLD AND FOREIGN EXCHANGE HOLDINGS ⁽⁶⁾ (mn. US Dollars)												
1948	62	938	84.0	...	295	6.2	209 ¹⁰	539	343	140.6	233 ¹⁰	192
1954	412	1,046	143.4	1,369	2,682	10.8	260 ¹⁰	1,041	1,276	137.3	479 ¹⁰	206
1955	357	1,146	133.1	2,120	3,121	...	242 ¹⁰	1,237	1,284	165.3	470 ¹⁰	211
1955, November	371	1,156	134.3	2,133	3,051	10.9	240 ¹⁰	1,238	1,270	164.0	471 ¹⁰	207
" December	357	1,146	133.1	2,120	3,121	...	242 ¹⁰	1,237	1,284	165.3	470 ¹⁰	211
1956, January	351	1,178	138.4	2,058	3,158	...	225 ¹⁰	...	1,305	161.2	458 ¹⁰	217
" February	351	1,177	138.1	1,968	...	...	225 ¹⁰	...	1,309	159.5	458 ¹⁰	216
" March	345	1,193	142.4	1,969	...	...	236 ¹⁰	...	1,291	161.4	454 ¹⁰	...

(1) Relates to wholesale prices in Athens and Piraeus only for Greece. Figures for Ireland are based on January, 1952-100. (2) July-December. (3) Relates to prices in capital cities only for Austria, France, Greece and Turkey. Belgium excludes rent. Denmark includes direct taxes. Figures for Ireland are based on August, 1953-100. (4) Excluding rent. (5) Including direct taxes. (6) Index numbers of unit value which compare the current average value of trade with its value in 1953; they are influenced by changes in the composition of trade as well as price movements. (7) Deposit money and notes and coin held by business, individuals and foreigners. Except for Greece holdings of the issuing authority and other banks are excluded. (8) Holdings of the government and central bank at end of period; figures for Greece are gold reserves only; foreign exchange figures for Norway exclude government holdings; Norway and Sweden include foreign investments. (9) Beginning May, 1954, a new drachma equal to 1,000 old drachmas introduced. (10) Including some long-term securities.

EXCHEQUER RETURNS

For the week ended June 9th, 1956, there was an "above-line" deficit (after allowing for Sinking Funds) of £46,384,000 compared with a deficit of £851,000 in the previous week and a deficit of £34,864,000 in the corresponding period of last year. Net expenditure "below-line" last week reached £7,416,000, bringing the total deficit to £98,095,000 (£184,679,000 in 1955-56).

£'000	Estimate, 1956-57	April 1, 1955 to June 11, 1955	April 1, 1956 to June 9, 1956	Week ended June 11, 1955	Week ended June 9, 1956
Ord. Revenue					
Income Tax	2085,500	179,089	200,146	10,379	15,044
Surtax	144,000	16,200	20,200	1,100	1,600
Death Duties	170,000	37,000	35,000	2,800	3,900
Stamps	58,900	13,300	11,600	900	1,600
Profits Tax, E.P.T.	216,750	25,400	28,100	2,000	2,900
Excess Profits Levy	4,000	8,000	1,400	700	100
Special Contribution and other Inland Revenue	1,000	150	110	50	50
Total Inland Rev.	2680,150	279,139	296,556	17,829	25,194
Customs	1204,000	223,171	227,956	23,733	22,626
Excise	953,350	158,600	175,515	3,440	4,625
Total Customs and Excise	2157,350	381,771	403,471	27,173	27,251
Motor Duties	92,000	9,180	9,669	331	761
PO (Net Receipts)	10,000	5,800	10,350	550	850
Broadcast Licences	28,000	3,300	3,400	...	...
Sundry Loans	30,000	2,171	2,305	75	70
Miscellaneous	200,000	17,053	8,680	7,592	50
Total	5197,500	688,414	734,431	53,550	54,176
Ord. Expenditure					
Debt Interest	670,000	148,685	137,734	11,238	12,793
Payments to N. Ire. and Exchequer	61,000	9,286	10,696	1,747	2,007
Other Cons. Fund.	10,000	966	878	...	...
Supply Services	3979,685	629,212	661,691	74,800	84,900
Total	4720,685	788,149	811,000	87,784	99,700
Sinking Funds	37,000	5,424	4,890	630	860
"Above-line" Surplus or Deficit	...	95,189	81,459	34,864	46,384
"Below-line" Net Expenditure	...	89,520	16,636	2,783	7,416
Total Surplus or Deficit	...	184,679	98,095	37,647	63,800
Net Receipts from:					
Tax Reserve Certificates	26,887	60,298	764	2,153	...
Savings Certificates	8,000	12,200	900	1,900	...
Defence Bonds	971	21,925	300	259	...

FLOATING DEBT

		Treasury Bills		Ways and Means Advances		Total Floating Debt
Date		Tender	Tap	Public Depts.	Bank of England	
1955						
June 11	3,240.0	1,903.6	282.7	...	...	5,426.3
1956						
Mar. 10	3,210.0	1,594.3	254.9	...	...	5,059.2
" 17	3,210.0	1,624.2	254.4	...	...	5,088.6
" 24	3,230.0	1,561.8	316.2	...	...	5,107.0
" 31	3,220.0	1,568.0	294.6	...	...	5,082.6
April 7	3,240.0	1,561.2	277.7	...	...	5,078.9
" 14	3,260.0	1,575.5	270.4	...	...	5,105.8
" 21	3,260.0	1,600.6	286.0	...	...	5,146.6
" 28	3,250.0	1,423.5	279.9	...	...	4,953.4
May 5	3,240.0	1,431.1	251.9	...	...	4,923.0
" 12	3,230.0	1,426.6	257.4	...	...	4,914.0
" 19	3,220.0	1,435.1	277.8	...	...	4,932.9
" 26	3,220.0	1,446.4	277.4	...	...	4,943.8
June 2	3,240.0	1,439.6	243.0	...	...	4,922.6
" 9	3,260.0	1,472.4	244.0	...	...	4,977.1

Financial Statistics

THE MONEY MARKET

THE discount market's rate for Treasury bills at the tender on Friday last was maintained at a fraction over 5 per cent, to which it had been raised at the previous tender, from 4½ per cent. That move stimulated a large increase in outside applications at last week's tender—total applications for the unchanged offer of £260 million rose by £32.4 million to £413.8 million—and the market's allotment fell sharply, from 53 to 43 per cent. The average rate of discount on all bills rose by ¼d. to 5s. 4.9d per cent. At yesterday's tender, the offer was cut to £240 million.

Credit supplies in Lombard Street have been continuously short. On Saturday and Monday the Bank made special purchases of bills; the prevailing rate for late August maturities has been 4½ per cent. The banks' rates for overnight loans have ranged up to 4½ per cent.

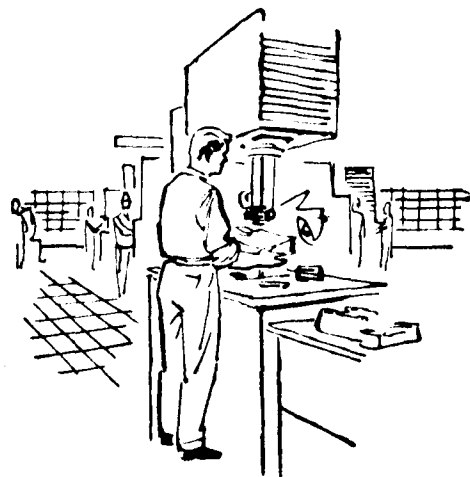
Sterling has shown a modest recovery in the past week, following the weakening early in the month; the spot dollar rate rose in the week to Wednesday from \$2.80½ to \$2.80½. The Canadian dollar has been notably strong, its premium on the US dollar rising to 1½ cents.

The price of silver in London has fallen by ¼d. an ounce this week, to 78½d. cash and 78½d. an ounce forward.

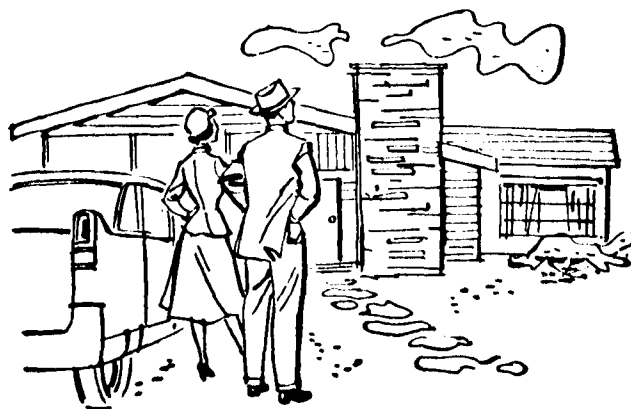
LONDON MONEY RATES

Bank rate (from 4½%, 16/2/56)	%	Discount rates	%
Bank bills: 60 days	5½-5¾	Bank bills: 60 days	5½-5¾
Deposits rates (max)	5½-5¾	Bank bills: 3 months	5½-5¾
Bank bills: 3 months	5½-5¾	Bank bills: 6 months	5½-5¾
Bank bills: 6 months	5½-5¾	Bank bills: 9 months	5½-5¾
Bank bills: 9 months	5½-5¾	Bank bills: 12 months	5½-5¾
Bank bills: 12 months	5½-5¾	Bank bills: 15 months	5½-5¾
Bank bills: 15 months	5½-5¾	Bank bills: 18 months	5½-5¾
Bank bills: 18 months	5½-5¾	Bank bills: 21 months	5½-5¾
Bank bills: 21 months	5½-5¾	Bank bills: 24 months	5½-5¾
Bank bills: 24 months	5½-5¾	Bank bills: 27 months	5½-5¾
Bank bills: 27 months	5½-5¾	Bank bills: 30 months	5½-5¾
Bank bills: 30 months	5½-5¾	Bank bills: 33 months	5½-5¾
Bank bills: 33 months	5½-5¾	Bank bills: 36 months	5½-5¾
Bank bills: 36 months	5½-5¾	Bank bills: 39 months	5½-5¾
Bank bills: 39 months	5½-5¾	Bank bills: 42 months	5½-5¾
Bank bills: 42 months	5½-5¾	Bank bills: 45 months	5½-5¾
Bank bills: 45 months	5½-5¾	Bank bills: 48 months	5½-5¾
Bank bills: 48 months	5½-5¾	Bank bills: 51 months	5½-5¾
Bank bills: 51 months	5½-5¾	Bank bills: 54 months	5½-5¾
Bank bills: 54 months	5½-5¾	Bank bills: 57 months	5½-5¾
Bank bills: 57 months	5½-5¾	Bank bills: 60 months	5½-5¾

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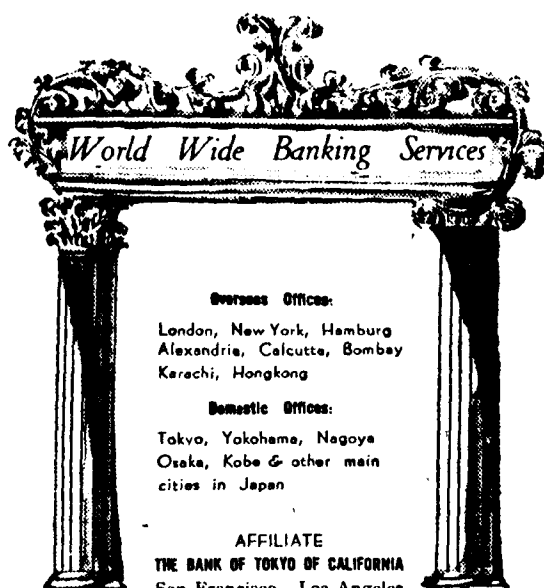
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BRANCHES THROUGHOUT THE COUNTRY

COMPANY MEETINGS

CENTRAL PROVINCES MANGANESE ORE

SATISFACTORY CURRENT LEVEL OF DEMAND

ACTIVITIES HAMPERED BY SHORTAGE OF RAIL TRANSPORT

CONTRIBUTION TO WORKERS' WELFARE

MR H. R. HOLMES ON DIAMOND DRILLING PROGRAMME

The forty-eighth annual general meeting of The Central Provinces Manganese Ore Company, Limited, was held on June 12th at Winchester House, Old Broad Street, London, E.C.2, Mr H. R. Holmes (the Chairman) presiding. Mr T. D. de Denev, ACIS (the Secretary), read the notice convening the meeting and the report of the auditors.

The Chairman said: Ladies and Gentlemen, The Report and Accounts for the year ended December 31, 1955, have been in your hands for some time, and I propose, with your permission, to take them as read. (Agreed.)

Before dealing with these accounts, I want to refer to changes in the Board of Directors. As you may know, I have held the office of Managing Director of the Company for the past 33 years, and have also been chairman since 1944. I felt that the time had come for the office of Managing Director to be in younger hands, consequently I resigned that office with effect from the end of February of this year, and Mr A. Linton and Mr W. A. Hardy have been appointed Joint Managing Directors in my stead. I shall, however, continue to act as Chairman of the Company, for the present at any rate.

Mr Linton and Mr Hardy have both been connected with the Company for over 30 years, Mr Linton first as Secretary and then as Secretary and Director, and Mr Hardy first as Mine Manager, then as General Manager in India, while in 1954 he joined the Board in London. In my judgment the wide and varied experience of these two gentlemen will be of great value to our Company in their new office. Mr T. D. de Denev, who has been with the Company since 1916, has been appointed Secretary.

TRADING CONDITIONS

The past year has not been an easy one, and you will see from the Profit and Loss Account that the Balance on Trading was down from £2,234,297 to £1,673,038. This was due to the deterioration in the rail facilities in India, which prevented us from implementing our contracts in full. In addition, the prices obtainable in 1955 were lower than those in 1954 as was foreshadowed in the report for that year. I am glad to say that higher prices are being obtained in the current year and that the demand for our ore is at present good and should continue to be so in view of the increased world production of steel, but so far as this Company is concerned, the question of railings is of vital importance, and unfortunately these still remain unsatisfactory owing to the general demand in India for traffic facilities. This is a matter that engages our constant attention and is the subject of frequent representations to the Authorities concerned. However, should more wagons be made available to us, and provided nothing unforeseen arises, I think that the prospects for the current year's trading are reasonably satisfactory, though

we are faced with rising costs including wages, royalty and railway freight.

THE YEAR'S RESULTS

Of the Balance on Trading Account, taxation takes £931,000 most of which consists of Indian Taxes. On the Debit side of the Profit and Loss Account, Depreciation of Fixed Assets amounts to £129,428 against £97,251, and this, of course, is owing to the substantial expenditure we have made in recent years on Plant, Machinery and Buildings. This expenditure has been very much worth while, and has resulted in the more efficient working of the Mines. The Net Profit for the year, after providing for Taxation and Depreciation is £646,153 as against £899,284 for the previous year. After adding the £100,000 transferred from Taxation Reserve Account and after making the customary Provident Fund deduction, your Directors recommend that the sum of £150,000 be transferred to the General Reserve which will increase it to £500,000. I feel sure that you will appreciate the prudence of this allocation, which is consistent with our policy of providing from our own Reserves the considerable sums necessary for our mechanisation programme. Your Directors also recommend that the following appropriations should be made:— to Staff Benefit Fund £20,000 and to Workers' Welfare Fund £20,000. The latter contribution is to enable us to continue to make provision for amenities for our labour and to improve the conditions under which they work and live. I am glad to inform you that our relations with the Trade Union and labour continue to be satisfactory.

An Interim Dividend of 1s. 2d. per unit free of tax was paid on October 1st last, and your Directors now recommend that a Final Dividend of 1s. 8d. per unit, plus a bonus of 8d. per unit, both free of tax, should be paid, altogether absorbing £525,000. This will leave £257,130 to be carried forward, as compared with £228,790 brought in.

BALANCE SHEET

Turning to the Balance Sheet, you will notice on the Assets side that the Leases over Manganese Properties in India stand at £137,557, as compared with £194,574 in the previous year. This is on account of our having disposed during the year of our Bonai Mines which we purchased in 1941.

Regarding our leases generally the term for which they are granted expires at various dates between the years 1961 and 1963, but all these leases contain a Renewal Clause.

Under Current Assets, the stock of Manganese Ore amounted to £1,027,327 against £835,681 and this is an indication of the lack of rail facilities to which I have referred earlier.

VISITS TO THE MINES

In January of this year Mr Hardy visited the mines in India when he made a thorough

inspection of the properties, and submitted full and informative reports to the Board. I am pleased to say that he found the Mines in good condition.

He took the opportunity of calling on certain Central Government officials in Delhi; and also State Government Ministers and officials in Nagpur. I am glad to say that our relations with these different Authorities continue on a satisfactory basis.

With regard to the Heavy Media Separation Plant, the initial difficulties to which I referred last year have been overcome and a considerable tonnage of ore of good quality has been produced during the year.

DIAMOND DRILLING PROGRAMME

Our Diamond Drilling Programme continues, and drills have been working at Tirodi, Munsar, Gumgaon and Ukwa Mines. Two holes sunk recently at Ukwa Mine indicate that there may be a very considerable tonnage of ore of very good quality in this property at comparatively shallow depths, and drilling is continuing there. Drilling at the other mines has been undertaken to prove the beds in depth in connection with our opencast operations at these properties.

The Government Electricity grid supply will reach our Tirodi and Balaghat Mines within three months or so, and all the electrical plant and equipment has been purchased and much of it will be ready for operation as soon as the supply is available. At our South Tirodi Mine a crushing and conveying plant is being installed for the raising of overburden which will considerably ease the long haul for our heavy vehicles. At Balaghat Mine a new five-compartment shaft is being sunk which will raise ore from Nos. 3, 4 and 5 levels. Nos. 1 and 2 levels are being worked from two smaller shafts, which are now being provided with two electric hoists in place of the old steam equipment. Adequate electric pumps and air compressors are being provided for the mine, which should be in a position to give considerably greater outputs of excellent quality ore as soon as this programme has been completed.

MINES IN GOOD CONDITION

From what I have told you I feel sure that you will appreciate that our Mines are in good condition, that we can produce the ore, and that we can sell it; but that at the present moment our activities are hampered owing to the shortage of railway transport from the Mines to the Indian ports. We must hope that in due course this difficulty will be surmounted.

Again I have pleasure in acknowledging the excellent work of the staff, both in India and in London, and also of the work of our Shipping Agents in India, Messrs James Finlay & Company, Limited, who have been most efficient and helpful.

I now beg to move: "That the report of the Directors and Statement of Accounts as

at December 31, 1955, be and are hereby approved and adopted, and that the profits be appropriated as recommended by the Directors." I will ask Major Herring to second the motion, and before putting it to the meeting I shall be glad to deal with any questions which Stockholders may wish to ask. Major A. C. Herring, VC, ACA, seconded the resolution, which was carried unanimously.

HIGHLANDS AND LOWLANDS PARA RUBBER COMPANY

FIFTY YEARS OF ACHIEVEMENT

MR T. B. BARLOW'S STATEMENT

The fiftieth Annual General Meeting of this Company was held at the Rubber Growers' Association, London, on June 12th.

The following is an extract from the report of the Chairman, Mr. T. B. Barlow: The past year marks the Company's fiftieth anniversary and the time is opportune to take stock of the position and review progress. For this purpose a booklet is being sent to Stockholders in the belief that it will not only be of interest to them, but that it will draw attention to a useful task efficiently done, pioneered and carried out by men of purpose.

When Highlands was incorporated in 1906 there were only a few other Rubber Companies in Malaya. The men who were sent out to develop the estates continually suffered from malaria and there was hardly a time when half the European Staff were fit enough to work. With their assistance, the way to control malaria was discovered. By 1918 this serious disease was no longer a menace. Today health on the estates is excellent and it is an achievement in which we, as a Company, have played a considerable part.

RECORD OF EXPANSION

During the past fifty years the planted acreage has increased from 2,086 acres of rubber to 9,959 acres of rubber and 3,570 acres of oil palms—a total planted area of 13,529. The paid-up Capital has increased from £188,000 to £469,000 with a balance sheet total of just under £1,300,000. Over half a million has been spent on buildings and machinery, the replacement value of which is £462,000 and the book value in the Accounts is £117,000.

We have now about 2,400 Stockholders which represents an average holding of approximately £200 Stock, and since the inception of the Company over 44,000 transfers have been registered. Dividends and Capital Distributions over 50 years have averaged 14½ per cent.

Above all we have established six thriving communities, totalling nearly 5,000 souls. To this labour force and staff, Stockholders will wish to express their gratitude for a task well done for the benefit of all concerned. A Jubilee party is being held on the estates when the 1,600 children will be entertained.

The last ten years, which covers the period since the war, give some significant figures and the following expenditure is notable:—£338,000 Malayan Export Duty; £1,200,000 wages to the Labour Force; £240,000 benefits to the Labour Force; £421,000 buildings and machinery; £253,000 replanting and new planting; £826,000 UK Taxes; £310,000 net dividends to Stockholders. Surely this is a proud record of service and good citizenship.

The Board's proposal of a final dividend of 1s. 8d. per unit, free of tax, and a bonus of 8d. per unit, free of tax, was also approved.

The retiring director, Mr. H. R. Holmes, was re-elected and the remuneration of the auditors, Messrs W. A. Browne & Company, having been fixed, the proceedings terminated with a vote of thanks to the chairman, directors and staff, both at home and abroad.

1955 ACCOUNTS

The Accounts for 1955 show a profit of £154,500, after deducting £67,500 for depreciation of buildings and machinery. Adding the carry-forward from 1954 and £23,500 Taxation Reserve no longer required, there is a total of £230,600 to be allocated. £91,000 has been transferred to Taxation Reserve, £37,000 to Replanting Reserve, and the dividend of 4s. per £1 Stock Unit requires £54,000, leaving £48,650 to be carried forward.

Perhaps the most interesting figures are those of rubber expenditure and revenue. While our net selling price was exactly 11d. per lb higher at 28.46d., our profit before depreciation, etc., was only 4½d. per lb more than 1954. This Company shares the unique position with few other Rubber Companies of having two strings to its bow. Last year the profit per acre making no allowance for replanting or amortisation—was £7 for palms and £12 for rubber.

MALAYAN GOVERNMENT REPLANTING SCHEME

The Malayan Government realises the need to replace old seedling rubber with high yielding clones and has adopted a scheme whereby Estates may claim \$400 (£47) per acre up to 21 per cent of the planted acreage on December 31, 1954, for rubber which is replanted with high yielding rubber by 1962. The payment is spread over 5 years while the area is out of production. The money to pay for this is provided by increased export taxes, which have in one year already yielded nearly two-thirds of the sum needed to cover the requirements of the scheme.

Another feature is that smallholders owning less than 100 acres are to be given \$600 (£70) per acre for replanting. This offers obvious attractions to those who may be prepared to organise the disintegration of estates and substitute groups of smallholders.

The Malayan Government is aware of the disadvantages of such action, but has not yet taken steps to discourage it. Thus after fifty years the pendulum has swung to the opposite extreme. Whereas in 1906 there literally was a queue of would-be investors waiting for this Company's prospectus so that they might invest their money in the hazardous business of developing fertile but fever-ridden jungle, there is now a list in the *Financial Times* of take-over bids for Rubber Companies. The Victorian virtue of thrift is being killed by taxation and instead there arises the spirit of Elizabethan adventure which rewards the inventor of the new or the liquidator of the old. That political uncertainty and excessive taxation should reduce rubber shares to a yield basis of 20 per cent-30 per cent on dividends and 25 per cent-50 per cent on earnings is deplorable. But those who plant trees for profit must have faith and determination, qualities that have never been lacking on the Board who take a favourable view of the long-term outlook.

The report and accounts were adopted.

A message of greeting was sent from the meeting to the Sultan of Selangor and to the Chief Minister Tunku Abdul Rahman.

WILMOT-BREEDEN (HOLDINGS)

SUCCESSFUL EFFORTS TO DIVERSIFY PRODUCTS

The seventh annual general meeting of Wilmot-Breeden (Holdings) Limited was held on June 13th in Birmingham, Mr D. L. Breeden (Chairman and Joint Managing Director), presiding. The following is an extract from his circulated statement:

Once more record levels of production and profit have been achieved. Investment in new plant was the highest in the history of the Company.

There have been two factors which have influenced the operating conditions in our Birmingham factories, and have been the cause of increased demands on the resources of the Company. First, output has had to be stepped up to supply increased quantities of components for the motor industry. Secondly, a change has taken place in the nature of many of our products. For example, bumpers have increased in size, and require larger formation presses and electroplating plants. Locking mechanisms are required to incorporate new features.

The output of components for the domestic appliance industry increased, and towards the end of the year the whole of this activity was housed in new premises in Birmingham. This move was made possible by the purchase of all the shares of J. G. Wood Limited who were a firm of trade platers.

DIVERSIFICATION OF PRODUCTS

The problem of diversification of the Company's products has for some time been receiving our attention. Whilst this is inevitably a slow process, the success of the efforts which have been made is shown in our order book for aircraft components and projectiles, which now stands at £1,400,000. This improved situation has been facilitated by the acquisition of Telehoist Limited and the new factory at Bridgwater which were referred to in my last review. At Telehoist Limited there has been an increased output of components for the aircraft industry and a greater demand for this company's range of hydraulic devices. At Bridgwater production is rising and plant is being installed for a new project for the Ministry of Supply.

Excellent progress has been made with our new venture in Australia. Recent developments, in the shape of Australian import restrictions, have already justified the steps which have been taken to establish a manufacturing unit in that country.

Two factors are relevant to future prospects. The first is the rising trend of costs, particularly wages. The second is the setback in the motor industry. Against this background, we can report an order book higher than at the same period of last year. Although output may fall temporarily, it would appear unlikely in the long run that the vast capital expenditure programmes of our main customers are based on widely inaccurate assessments of future world demand for cars.

Net income from all sources was £863,906 (against £801,734 for the previous year).

After taxation of £501,129, the amount available for distribution is £362,777 (against £346,424 for the previous year). The Directors recommend a total distribution for the year of 17 per cent on the Ordinary shares.

The report was adopted.

DUNLOP RUBBER COMPANY LIMITED

LARGER TURNOVER

LORD BAILLIEU'S SPEECH

ing machinery, and this, you will understand, means some disturbance of production.

LOWER PROFIT MARGINS

For the reasons I have just described, our profit margins were lower in 1955, and the net profit before taxation represented 1s. 1d. per £ sterling of sales, or 5.3 per cent, compared with 1s. 3d. or 6.2 per cent in the previous year. In considering our profits, particularly in the United Kingdom, you should bear in mind that a relatively high proportion of our tyre sales is made as original equipment sales to the motor, motorcycle, cycle and aviation industries. The prices at which we sell original equipment products are lower than the prices in the replacement sales market, whereas the cost of making the tyre, whether for a new vehicle or in replacement of a worn-out tyre, is the same.

This point should also be borne in mind in connection with the recent Monopolies Commission Report in which it was confirmed—contrary to belief in certain quarters—that profit margins in the tyre industry are not excessive. In fact, considering the capital and equipment involved in the production of tyres, and the effect on costs of fluctuations in the price of natural rubber, I repeat what I have said previously that profit margins are, if anything, too low.

DIVERSIFIED RANGE OF PRODUCTS

I would now like to refer to two aspects of the Company's policy which concern growth. For some thirty years now our consistent policy has been to broaden the basis of our trading, first by diversification as regards products and secondly by broadening the spread of our interests geographically.

This policy of diversifying the range of products manufactured is being pursued. In the majority of these products natural rubber features as a raw material, and accordingly, because prices did not follow the rising trend of raw material costs, the profit margins on these products have been lower than in the preceding year. However, there are other instances where raw material prices have not had such a serious effect, and these types of products are being still further developed with a view to reducing the possibility of lower margins. A great many synthetic rubber and plastics materials are now used, and we have also a wide and diversified range of products which we manufacture for the use of other industries or as component parts.

The second aspect of our policy, namely geographical spread, is with other industries at once a cause and a reflection of the inevitable growth and development in overseas territories, not only in the so-called young countries, but also in the old-established industrial countries where road transport and motoring are encouraged.

OVERSEAS ACTIVITIES

Our overseas activities during 1955 were highly successful. You will already have noted from the Report that exports from the

United Kingdom, which are very considerable, and the trading of our Companies and branches overseas, contributed over two-thirds of the profits of the Group. The maximum assistance is given to these overseas Companies in terms of research, development, personnel, and in the commercial and administrative fields. I am sure you will appreciate that this is not only a benefit from the Dunlop point of view, but it is also in the national interest. From the financial point of view we draw from these Companies, in the form of royalties and dividends, a reasonable return.

You will no doubt have noted that the proportion of their profits retained by subsidiaries, and this particularly refers to overseas subsidiaries, was again a substantial figure at over £1½ million. In this way these Companies become more self-supporting and self-reliant for their future expansion and development.

I might just add at this point that we have not only considerably extended our tyre exports from the United Kingdom during the year, but we have also increased our proportion of the total exports of the industry. This, I suggest, is a very satisfactory position in view of the increasing competitive conditions operating in overseas markets.

RESEARCH AND DEVELOPMENT

I must refer to the Research and Development work of your Group. This matter is of fundamental importance for any industry today, and certainly in the Dunlop Group is a subject constantly under review by your Board. As you know, we have an extensive Research Centre at Castle Bromwich, well equipped with high-class personnel and facilities, and these are being continuously extended. One of our major preoccupations is research into new materials—in fact, it comprises a considerable part of our research activities. Our new synthetic pilot plant at Castle Bromwich will come into production very shortly and is primarily intended for developing new forms of synthetic rubber and similar materials. In the same way a considerable section of these facilities is devoted to research on new synthetic fibres developed by the textile and chemical industries and their adaptation for our products.

In the development of new materials and processes, either for our existing products or entirely new ones, we now have a well-organised development and design section. There is a constant flow of new ideas and processes from this section which find their way into our factories and into the new products we are able to offer to our customers. I would specifically like to mention that we have developed a new method of construction for tyres which may in future be regarded as revolutionary. Put simply, this consists of winding a cord round a drum in a series of geodetic loops. Patent protection for this new process is being taken out, but it will be some time yet before it can be fully developed and applied. This new construction may, if successful, introduce entirely new methods of manufacture for a wide range of tyres in the future.

The report and accounts were adopted.

COMPANY MEETING: ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

(Incorporated in the Union of South Africa)

STATEMENT BY THE CHAIRMAN, SIR ERNEST OPPENHEIMER

ANGLO AMERICAN CORPORATION'S
YEAR OF WIDESPREAD ACTIVITY

SIX GROUP GOLD MINES NOW PRODUCING IN O.F.S.

GROUP'S INITIATIVE IN SECURING AGREEMENT ON
AFRICAN ADVANCEMENT

The following are extracts from the Statement by the Chairman, Sir Ernest Oppenheimer, which has been circulated to members:—

THE measure of the prosperity in most of the fields of our activity is to be seen in the substantial increase in the revenues and profits of the Corporation. There was an increase in profit of £953,056. General reserve now stands at £21 million.

NEW GOLD MINES

During 1955 three new gold mines in the Orange Free State in which the Corporation has substantial direct and indirect interests declared their maiden dividends. Now that the six established mines administered by the Corporation, and other mines in which we are interested, in the new gold-field are in production, it is to be expected that the revenue accruing from the Corporation's interests in the Orange Free State will increase.

Similarly, in the Far West Rand and Klerksdorp areas the Corporation's very considerable interests are rapidly becoming revenue producing, and the formal opening on June 2nd of the gold and uranium producer, Vaal Reefs Exploration and Mining Company Limited, marked for this Group the completion of a programme unparalleled in the history of gold mining.

Our Minister of Finance announced in his recent Budget some relaxation of the taxation of the gold mining industry, the relief granted being estimated at £700,000. We in the industry are grateful for this recognition by the Minister of the desirability of reducing the onerous burdens of tax payments the industry carries; and we believe there is a case for further consideration of this question. This might well bring benefits through the stimulus it would give to overseas investment in South Africa.

In another direction, too, our political leaders in this country have the opportunity of stimulating the progress and prosperity of South Africa. The extraordinarily favourable general conditions for the investment of capital in South African enterprises and in new ventures could be enhanced beyond measure by a phase of more conciliatory and more moderate political and racial policies. These would bring immeasurable benefits both in internal pacification and in external respect and approval.

For us in the gold mining industry there is much scope for action. Economy, efficiency, increasing mechanisation must continue to be our aims. But we must also recognise that gold mining is, in these days, only one of several competitors for capital, for equipment, for manpower.

This competition demands that we should do much more than we have done in the

past to publicise gold mining activities; to make known to potential investors the basic values of the industry; to impress the young men of South Africa with the opportunities that mining offers as a career. The full, frank and frequent disclosure of operating results, which has been standard for this industry for many years, is no longer enough. We must actively and positively seek public understanding and public trust.

Among the more noteworthy activities of 1955 were: the bringing to production of two developing gold mines, Lorraine and Free State Geduld; the putting into effect of schemes for providing additional ventilation and an expansion of production at several of the producing mines in the Orange Free State; remarkable progress in the preparation of the Vaal Reefs mine for production; gigantic surface excavations in preparation for opencast operations at the Nchanga copper mine in Northern Rhodesia; continuation of the preparations for the production of copper at the new Bancroft mine in Northern Rhodesia; the expanded production of the collieries and the improvement of the town at Wankie in Southern Rhodesia.

The Group's collieries, operating with a high standard of efficiency, contributed to the expansion of the coal trade in South Africa, despite the limitations arising out of transport difficulties.

RHODESIAN INTERESTS

One of the most important developments in the history of the Corporation has been the decision to expand our office in Salisbury in Southern Rhodesia. In the ten years after the end of the Second World War the Rhodesian interests of the Corporation rapidly assumed increasing importance. The difficulties of the day-to-day administration of these interests from the head office in Johannesburg multiplied; and when the transfer of the registered offices of the principal Northern Rhodesian companies of the Group from London to the Federation took place in 1954, our thoughts turned to the advantages of establishing more direct administrative machinery, with ancillary technical services, close to, or on, the Copperbelt. Almost at the same time the final decision to establish the Federation of the Rhodesias and Nyasaland was taken.

Here was a fine new country awaiting development through enterprise and offering potentially rich rewards to those willing to apply energy and technical and financial knowledge to the exploitation of the territory's known or as yet undiscovered mineral and other resources.

To the considerations that were prompting us towards some measure of administra-

tive decentralisation from Johannesburg were now added the compelling thoughts that we should not be content with exploring the mineral and other business possibilities of the Federation at secondhand or by remote control, that we should establish a strong team of fully qualified administrative and technical staff in Salisbury, the Federal capital. The decision was accordingly taken, and at the end of the year some 45 members of our Johannesburg staff moved to Salisbury where an office with a resident director was already established.

Something more should, perhaps, be said about this Corporation's links with the Federation. Circumstances have established strong ties between this Group and the territories that Cecil John Rhodes brought into the Commonwealth. An inherited tradition almost demands that the Corporation, which has dominant interests in Rhodes's company, De Beers Consolidated Mines, should continue his policy of fostering the development and settlement of the Rhodesias. Besides, it is good business. Our early enterprise has drawn, and continues to draw, highly satisfactory rewards from Northern Rhodesia.

Typical of the big ideas for the development of the Federation's resources has been the decision to proceed with the construction of the Kariba Hydro-Electric Project. This vast scheme, involving an expenditure not yet finally assessed but estimated at £113 million, and impounding waters to form a lake 140 miles long and at one point 20 miles wide, will provide power resources that will not only solve the long-standing and accumulated power problems of the copper mining industry but should stimulate the establishment of enterprises dependent upon the availability of cheap electricity.

It has, however, become clear that general industrial and commercial development in the Federation will be limited and the ambitious planning will be stultified unless rapid progress is made with the provision of greatly expanded railway transport facilities. The lack of adequate railway facilities for the transport of coal has, intermittently over a long period, adversely affected the operations of the copper mines and continues to do so, without much prospect of early improvement.

Deliveries of coal to other consumers have been similarly restricted, although the Wankie Colliery Company had fulfilled, one year ahead of schedule, its undertaking to establish an output capacity of five million tons of coal a year, a tonnage adequate for all purposes.

In June, 1955, a new company, Anglo American Rhodesian Development Corporation Limited, was formed to be the agency through which the Corporation and its associated companies could assist in the



Cosmas Bulaye, a sampler at Rhokana, with Haswell Lungue, his assistant. They are doing one of the jobs to which Africans on the Copperbelt have recently been promoted.

financing of public services in the Federation. The most practical assistance that this company could give obviously lay in the sphere of railway transport; and our own interests in the Copperbelt and at Wankie would be served at the same time.

After negotiations with the Rhodesia Railways, an agreement was reached whereby the company undertook to purchase trucks to the value of £5 million and to hire them to the railways for 25 years. In addition the new company has taken over responsibility for the £1 million loan that had already been made to the railways by Rhodesian Anglo American Limited.

Towards the end of 1955, with the Kariba power project beginning to take practical shape, the question of how this and other urgent schemes were to be financed had to be determined. We decided that our Group's business interests, combined with the general policy we have adopted of using some of the Group's resources in promoting the development of the Federation, justified our offering to lend the Federal Government large funds for both power and transport projects, and, in the result, Rhokana Corporation and Nchanga Consolidated Copper Mines, together with two companies of the Rhodesian Selection Trust Group, whose interests in Northern Rhodesia run so closely parallel with our own, have agreed to make loans totalling £20 million. In addition, all the Copperbelt producing mines will, in due course, accept a surcharge on power from Kariba until a total of £10 million has accrued from this surcharge to the Kariba authority.

HUMAN RELATIONSHIPS

We are, of course, vitally interested also in the human and political relationships developing so rapidly in the new Federation. One of these matters is the general subject of what has become known as African advancement. The African employees of the copper industry in Northern Rhodesia are emerging from their primitive existence into a civilised world in which industrial skills, wage rates, employment conditions, trade union organisation, civic duties and political rights have been developed over many generations of trial and tribulation.

To all these conditions of modern industrial civilisation the African mineworkers are newcomers; but by becoming absorbed into the concentrated industrialism of the

Copperbelt and having been given the right of trade union organisation amongst themselves, they have fallen heir to all the advantages that European initiative and enterprise have brought to this part of Southern Africa. Living now in an area where the general standard of living is probably unrivalled in any other mining community, the African mineworkers cannot but be acutely aware of the opportunities the copper industry offers them for bettering themselves and their families.

OPPORTUNITIES FOR AFRICANS

Yet they are not always equally aware that modern industry demands certain skills—skills that, in some cases, can be acquired only after long training and much experience. It is, therefore, not surprising that the aspirations of African mineworkers tend to run ahead of their individual abilities to perform efficiently this or that type of work; nor is it surprising that they become impatient of delays or hindrances that seem to them to spring out of the European miners' reluctance to grant the Africans opportunities to advance beyond their present stage of employment in the industry.

Nevertheless, it has come to be recognised that African mineworkers should be given opportunities for more responsible work in the industry; and there is evidence that, with proper training, there are Africans who can qualify for work requiring skill, judgment and responsibility.

For the European employees these developments have brought real anxiety. They have seen the emergence of unskilled Natives as competitors in their own fields of employment, as a potential threat to their own high wage and employment conditions. These European employees have had it in their power to resist these developments; by withholding their own labour and their own skills, they could make it certain that the Copperbelt mines could not operate—for there were, and there still are, no Africans who could even begin to operate the complex organisation of this very large industry.

They could also resist effectively in another way; they could passively sit back and refuse to train the Africans seeking to qualify for more responsible work, and in various other ways frustrate any scheme that was brought in without their co-operation. Few people who have not lived

in Southern Africa can appreciate the depth of feeling such circumstances can and do engender. The European employees did, however, recognise the justice of the case for some measure of African advancement.

When we first considered this complex problem, we came to the conclusion that the path of progress lay in the direction of trying patiently to persuade our European employees to co-operate in working out a practical scheme for giving African employees opportunities for more responsible work. We believed that to attempt any form of compulsion would invite a long and angry struggle, with an aftermath, whatever the result, of untold bitterness.

Accordingly we gave our European employees assurances that we would do nothing except with their agreement and co-operation; and we repeated these assurances at intervals throughout the long negotiations, during which we constantly and deliberately chose the way of persuasion and avoided anything that might savour of compulsion. It was these assurances and the final recognition by the European Mineworkers' Union that we had no intention to force the issue that led to a calm and ultimately successful discussion of a plan for introducing African advancement. An agreement between this Group and the Union was signed in July last year; and subsequently it was, with minor modification, extended to cover the whole Copperbelt industry.

In referring at the outset of this statement to the gratifying prosperity this Corporation had enjoyed in 1955, I had in mind, amongst other things, the record year enjoyed by the diamond industry, with which this Corporation has such close associations and in which its interests are very large. In 1955 sales of gem and industrial diamonds reached the record total of £74,288,695. The heavy demand for gem diamonds in particular has exceeded the present capacity of producers to supply; and there is a shortage which increased production in South West Africa and in Tanganyika during this year will to some extent alleviate.

INSTITUTE OF AFRICAN GEOLOGY

We have also established, in collaboration with the University of Leeds, an Institute of African Geology at that university which is known the world over for the high standing of its geological faculty under Professor W. Q. Kennedy. The Institute has the twofold aim of stimulating fundamental research into the nature of ore deposits generally and African geological structures in particular, and also of providing postgraduate research geologists for active field work in Africa. As part of this project, the Corporation has undertaken to endow a number of fellowships and scholarships for geological research work, and these are available to graduates from the United Kingdom, South Africa, the Central African Federation and elsewhere.

In conclusion, I should like to express my warm appreciation, and also the Board's of the loyal and efficient service rendered to this Corporation throughout the year by its administrative and technical staffs. The spirit of enthusiasm to be found in our organisation is most gratifying and is an important factor in our continuing progress.

Copies of the full statement and the Corporation's annual report and accounts may be obtained from the London Office, 40 Holborn Viaduct, E.C.1.

ASSOCIATED NEWSPAPERS LIMITED

LORD ROTHERMERE'S STATEMENT

The Fifty-first Annual General Meeting of Associated Newspapers, Limited, will be held on Friday, July 6th, in the Memorial Hall, Farringdon Street, London, E.C.4.

The following is from the statement by the Chairman:

During the year covered by the accounts your Company had to raise the selling prices of the *Daily Mail*, *The Evening News*, and *Sunday Dispatch* in order to cover the increase in distribution and operating costs and the rise in the price of newsprint.

We started the year with a loss of £400,000 caused by the newspaper strike and there were extra expenses caused by a railway strike which threatened the whole newspaper distribution system. These losses and increased costs were covered by the increase in selling prices and additional advertisement revenue so that we are able to report a profit slightly in advance of a year ago.

The increase of £3 10s. a ton in the price of newsprint dating from January 1st, will cost the Company £425,000 in a full year. Both distribution and operating costs are more likely to increase than decrease so that any advantage gained by increased selling prices may well disappear during the present year.

More newsprint has become available so that in the last few months some newspapers have been able to increase their sizes to the benefit of reader, advertiser, and publisher. Due to the great demand for advertising in the *Daily Mail*, *The Evening News* and *Sunday Dispatch* we have been able to take full advantage of this so that our revenue from advertisements has reached the highest level in the history of the Company.

The increased newsprint supplies should be maintained during the present year, with a small increase the year after, and a more substantial one in 1958. It is hoped that world supply and consumption of newsprint should then be in balance.

We believe it to be in the interests of the newspaper industry and of the country as a whole that the price of newspapers should not rise further than is absolutely necessary. I hope that the recent increase in price will last for a long time ahead, but if wages, distribution costs, and the price of newsprint were to continue to rise during the next two years it would become very difficult, if not impossible, to avoid a further increase.

It is in the interests of all those who are engaged in the newspaper industry itself, or in producing its principal raw material newsprint, to avoid any untimely increase in the price of newspapers that might lead to lower circulations.

ACCOUNTS

The Trading Profit at £2,302,606 shows an increase of £61,683 over a year ago. The income from Anglo-Newfoundland Development Company, Limited, shows little variation; the increased income from other investments reflects the large holding of Treasury Bills during the year. In the Company's Balance Sheet there are two new items to which I draw your attention. We have made a start on re-equipping our Press Rooms and consequently, in Current Assets

you will find an amount "Payments on Account of New Presses."

The second item is an investment in Associated-Rediffusion, Limited, the company formed to provide programmes on the London Commercial Television Station. As anticipated, considerable losses have been incurred in the initial stages.

The lower cash resources of the Parent Company reflects in the main this investment in television, although the Consolidated Balance Sheet shows that the financial resources of the Group remain adequate.

COMMERCIAL TELEVISION

You will recall that I told you last year of the formation of Associated-Rediffusion Limited. During the course of the year the capital was subscribed, and believing in incentives I arranged that the four Directors appointed to the Board of Associated-Rediffusion as our representatives should be offered 5 per cent of the shares allotted to this Company, and this amount they have taken up.

The new station opened on September 22, 1955, and for the first five months, with no other weekday stations with which to network, Associated-Rediffusion had to provide all its own programmes. Now there are two further stations operating, and as each new station comes into operation costs should show a progressive reduction.

When the London station first opened, it was estimated that less than 200,000 sets were capable of receiving commercial television, and although this figure has now risen to over 750,000 it is still less than half the total sets in the London area. The number is increasing daily, and with the larger cover due to the overall improvement in the programmes and programme planning, there is a noticeably growing incentive for advertisers to use this new medium.

These facts, and the results already obtained by advertisers, encourage us to view the future with confidence.

I should like to take the opportunity of thanking all those advertisers who in the early days have had faith in this new medium and were prepared to support it knowing the initial limitations both as to coverage and size of audience. I am sure that this faith will bring its own reward and the new medium, by creating fresh markets, will play its part in the development and expansion of industry in this country.

It is interesting to record that the *TV Times*, which was launched by Associated-Rediffusion Limited at the commencement of transmissions and now contains all the ITA programmes in London, Birmingham, and Manchester, has been immediately successful in every way. It has already gained a circulation of over 800,000 copies and the demand shows a steady increase week by week.

DAILY MAIL

On May 4, 1956, the *Daily Mail* celebrated its Diamond Jubilee. On that day the editorial concluded: "We have striven to present the truth, to have the courage of our convictions and to serve our readers and

generation to the best of our ability. These watchwords have sustained the *Daily Mail* through 60 tremendous years, and we are confident will carry us through many more."

Large papers have enabled us to cover the news more abundantly both at home and abroad and the *Daily Mail* has given the public many of the most interesting and exclusive stories of the year.

Just recently we have been able to make available to advertisers the famous *Daily Mail* Whole-Page Advertisement, a custom which had to be discontinued on the outbreak of war. This policy has been wholeheartedly welcomed by the advertising world.

THE EVENING NEWS

Whilst the increase in price of National morning papers had no appreciable effect on their sales, the position, as I mentioned last year, was very different with the evening papers. Although the overall drop in sales has been about 11½ per cent, *The Evening News* has fully maintained its share of the total sales and remains the world's best-selling evening newspaper, with its family appeal as strong as ever.

One of the great features of *The Evening News* is its classified advertisements, up to 1,000 of which are handled every day.

SUNDAY DISPATCH

The *Sunday Dispatch* has enjoyed the most successful year in all its 155 years' history. Advertisement revenue has reached an all-time record and sales have been maintained at a high level, despite intense competition and a further necessary increase in price last October. Writers of world-wide reputation contribute regularly to its columns and its service of news and sports reports remains unsurpassed.

DAILY SKETCH

Just a year ago I told you that the sale of the *Daily Sketch* in April, 1955, had passed the million. In April, 1956, it was 1,135,000. This is the best reflection I can give you of the manner in which the *Daily Sketch* continues to progress, for this increase has taken place at a time when most other circulations were stationary. More and more advertisers are supporting this paper with its vigorous journalism.

PROVINCIAL NEWSPAPERS

Another year's successful trading has been enjoyed by all our Provincial newspapers, and I am glad to be able to record that all their circulations have increased during the year. Each of our provincial companies now has its own pensions scheme in full operation.

STAFF

Without the loyal co-operation of all our staffs the satisfactory results shown in the Accounts could not have been achieved, and I have much pleasure in thanking them, both on your behalf and on behalf of the Board, for all their good work in the past year.

UDDEHOLMS AKTIEBOLAG

UDDEHOLM, SWEDEN

The Annual General Meeting of the Uddeholms Aktiebolag was held at Karlstad on June 2nd, where the usual report was presented by the Board of Directors:

Uddeholm is situated in the West of Sweden and its main activities are based on the traditional raw materials of the province, iron ore, forests and water power. The activities comprise the manufacture of iron and steel, hot-rolled and forged, cold-rolled and drawn; sponge-iron; ferro-manganese, ferro-alloys; rolled and drawn tubes; hard metal; carriage and other springs; wire ropes, etc.; sawn and planed timber, sulphate and sulphite pulp with by-products, paper and cardboard, electro-chemical products.

The main activities of the Company are centred on the mines at Persberg, Nordmark, Taberg, etc., the sponge iron works at Persberg, the steel works at Hagfors, Nykroppa, Degerfors, the cold-rolling mills at Munkfors, the tube mills at Storfors, the wire-ropes mill at Blombäck, the saw mill, pulp mills, paper mill, electro-chemical factories, etc., at Skoghäll and the sulphite mill at Göta.

The movement of business in 1955 showed an overall increase as compared with previous years and could have been even bigger but for a shortage of labour and water power. On the timber side prices have been steady, while prices for iron and steel have shown a rising tendency. Particularly in the export markets, however, there have been certain difficulties in attaining prices which give a reasonable margin. At the end of 1955 the supply of orders was satisfactory.

The average number of people employed by the company and its wholly owned Swedish subsidiaries during 1955 was 15,710. Salaries and wages amounted to 158.2 MKr. Investments amounted to 53.3 MKr. as compared with 44.3 in 1954.

PRODUCTION FIGURES

The total production within the Uddeholm Group of companies amounted to:

	1954	1955
Electrical power, 1,000 kWhs	829,000	671,000
Timber from own forests, cubic feet	25,000,000	25,300,000
Finished steel, tons	161,189	174,812
Sawn timber, stds.	26,823	24,408
Sulphate pulp, tons	64,862	70,208
Sulphite pulp, tons	92,763	98,910
Paper, tons	41,455	45,414
Chemical products, tons	70,619	77,682

The invoiced value within the group amounted to:

	1954	1955
Iron and steel products ..	202.6	240.5
Forestry products	180.0	199.8
Other products	23.3	41.0
Total, million Kr.	405.9	481.3

IRON AND STEEL SALES

The Company's sales of tool steel, high-grade wire rods, cold-rolled high-grade steel and manufactured goods, stainless and acid-proof steel were well maintained, and production has been directed towards constant improvement in quality. Exports rose from 10 per cent to 43 per cent of the total sales of iron and steel during 1955.

The Company's sales offices at Birmingham, Düsseldorf, Brussels, Paris, Copenhagen, New York, Cleveland, Los Angeles, Toronto, Sao Paulo and Rio de Janeiro have done well.

FORESTRY PRODUCTS

The total quantity of Forestry products increased somewhat during 1955.

About 25,300,000 cu ft were taken from about 560,000 acres of the Company's own forests, although the whole of the new growth was not utilised.

WATER POWER, ETC.

During the year 671 million kWh—against 829 million kWh the year before—were produced at the Company's own power stations. This did not meet demand from the works. The figure for 1955 was the lowest since 1948, due to the extremely dry summer of 1955. The work on the new power station at Letten has proceeded and the station will be taken into use during 1956.

GROSS PROFIT

The total gross profit rose from 63.6 MKr. in 1954 to 65.1 MKr. in 1955. The book value of the stock has risen 8 MKr., but the stock reserve is on the whole unchanged. The stock is valued at about 30 per cent.

The Profit and Loss Account includes the following items:

	1954	1955
Depreciation	28.0	27.3
Interest, etc.	3.4	4.4
Taxes	20.4	16.2
Investment reserve	—	5.0
Net profit	16.0	17.0
	67.8	69.9

SUMMARY OF BALANCE SHEET IN MKr.

	1/1/1955	31/12/1955
Current assets:—		
Cash, bank own	50.7	42.2
bonds		
Receivables from clients and subsidiary companies	56.6	76.4
	107.3	118.6
Inventories and contract purchases	54.8	65.5
	162.1	184.1
Fixed assets:—		
Deferred charges, clients and subsidiaries	38.3	52.1
Shares in subsidiaries	—	1.4
Construction in progress and advances to contractors ..	1.6	4.7
Ships, machinery, equipment, and power lines ..	44.0	48.0
Houses, industrial buildings, real estate	86.8	90.6
	170.7	196.8
Subscribed shares, not paid	—	0.2
	332.8	381.1

Liabilities and capital:—

Liabilities:—		
Accounts payable	50.4	43.2
Debtentures	37.1	33.8
Loans and pension fund ..	61.6	60.0
	149.1	137.0
Investment reserves	1.5	6.5
Capital:—		
Capital stock ..	103.3	165.0
Legal reserve ..	23.2	35.0
	126.5	200.0
Surplus:—		
Appropriated	30.0	—
Unappropriated	25.7	37.6
	332.8	381.1

ALLOCATION OF PROFITS

The Board and the Managing Director propose that the profit for the year of Kr. 17 million and balance of profits remaining from previous years of Kr. 20,589,781 should be allocated as follows:

To shareholders, a dividend of Kr. 7.— per share against Coupon No. 63 (equivalent to 4 per cent of the Company's own Capital, 11,550,000 —
Carried forward to new account 26,039,781.—

The capital stock of the company has been raised during 1955 by Kr. 61,666,700 to Kr. 165 million. A new issue of shares amounted to 35,833,400. It was issued at 130 per cent—the paid-in surplus went to the legal reserve. At the same time Kr. 25,833,300 of the unappropriated surplus was transferred to the share capital. All shares issued during 1955 are entitled to the dividend for 1955.

At the General Meeting Mr Nils Danielson, who has been Managing Director of the Company since 1943, retired and was succeeded by Mr Wilhelm Ekman.

BALANCE SHEET OF THE UDDEHOLM GROUP

	31/12/54	31/12/55
(Summary)	M.Kr.	M.Kr.
ASSETS		
Current assets:—		
Cash and receivables	133.2 30	148.8 29
Inventories	80.9 18	100.2 20
	214.1 48	249.0 49
Fixed assets	230.0 52	264.2 51
Total	444.1 100	513.2 100
LIABILITIES AND CAPITAL		
Liabilities:—		
Current liabilities ..	65.5 15	63.4 12
Fixed liabilities ..	138.9 31	138.1 27
	204.4 46	201.5 39
Investment reserves	1.8 0	11.5 2
Capital:—		
Capital stock	103.3 —	165.0 —
Legal reserves	35.1 —	48.8 —
Capital surplus	42.0 —	44.5 —
Earned surplus	39.8 —	20.9 —
Net profit	17.7 —	21.0 —
	237.9 54	300.2 59
Total	444.1 100	513.2 100

Uddeholm, June, 1956.

ATLAS ELECTRIC AND GENERAL TRUST, LIMITED

A SUCCESSFUL YEAR

The forty-eighth annual general meeting of Atlas Electric and General Trust, Limited, was held on June 13th in London.

The Right Honourable Lord Remnant, MBE, chairman, in the course of his speech, said: Stockholders will agree that the Revenue Account shows a most satisfactory result of the year's operations. Gross investment income of £986,356 received during the year shows an increase of £136,821 or 16.1 per cent. Then we have additional income amounting to £70,477 in respect of Double Taxation Relief.

Our total gross income of £1,064,477 exceeds, and considerably exceeds, the £1 million mark for the first time, and is no less than £203,991 greater than in the previous year. Net Revenue after taxation was £504,553, or £108,617 more than the previous year. To this is added the balance of £202,567 brought forward, making a total disposable amount of £707,120. After transferring £125,000 to General Reserve and £40,000 to Contingencies Reserve, providing £120,750 for the 5 per cent Preference dividend and £72,450 for the interim dividend of 3 per cent on the Ordinary stock, it is proposed to pay a final dividend of 6 per cent, absorbing £144,900, leaving a balance of £204,020.

Your directors are well aware that the dividend of 9 per cent is considerably higher than was expected. It has been the policy of the Board to increase the dividend year by year where results justified their doing so, but always to a moderate extent so as to ensure that the dividend could at least be maintained in future years. Last year, however, was one of exceptional prosperity for your company. In these circumstances your Board felt it to be right to make a considerably larger distribution to the Ordinary shareholders, especially as it represented an even smaller percentage of earnings than did the dividend of 6½ per cent paid in the previous year.

The Investments stand in the balance sheet at £10,888,621 and are valued at £16,071,985, showing an appreciation of £5,183,364, or 47.6 per cent. The appreciation last year was 45 per cent. The net asset value of the Ordinary stock is 47s. 1d. per £1 unit, which compares with 44s. 6d. on the previous March 31st.

THE PROSPECTS

It was never so difficult as it is today to forecast the probable course of events as affecting investors. At home we see costs, particularly labour costs, continuing to rise without anything like a fully-compensating increase in productivity. We have the paradox of extensive capital investment being necessary to improve and cheapen production, whilst the excessive demand for materials and labour, which a large capital programme involves, tends to accentuate inflation. Yet our great manufacturing industries, with much solid achievement to their credit, show evidence of great vitality and of dynamic growth. Order books are full, in some cases for years ahead.

It is reasonable to expect that the net revenue of the current year will not be less than that of last year, but it cannot be expected to show anything like the same rate of growth. Any further increase in the dividend, therefore, will probably be of modest amount.

The report and accounts were adopted.

M. F. NORTH LIMITED

The forty-fourth annual general meeting of M. F. North Limited was held on June 11th in London, Mr C. W. Black, JP, MP (the chairman), presiding.

The following is an extract from his circulated statement:

I have no doubt that the Shareholders will regard the result of the Company's operations during 1955 as being very satisfactory. The Company has been reaping the reward of the continuous work of all concerned in maintaining the high standard so long associated with the North Hotels.

The profit on trading rose to a record figure of £109,251, which was more than £16,000 above the corresponding figure for the previous year and was a record in the history of the Company.

Your Directors decided to transfer to General Reserve an amount of £18,000, which will increase that Reserve to a total of £60,000, and to increase the Ordinary Dividend to a total of 23 per cent for the year (as compared with 20 per cent) by recommending a Final Dividend of 15 per cent less Income Tax.

With regard to the future, I have no reason to doubt that the good record of the Company will be maintained. Unfortunately, rising costs and additional taxation continue to bear very heavily upon Hotels and compel reluctant but inevitable increases in Tariffs. Furthermore, a new burden has been added by the general revaluation of property.

You may rest assured that no effort will be spared to maintain satisfactory results in your Company's operations.

The report was adopted.

AB. GÖTAVERKEN

GOTHENBURG, SWEDEN

(Ship Builders, Ship Repairers, Engineers)

The Fiftieth Annual Meeting of AB GÖTAVERKEN was held in Gothenburg on May 15th, Mr Björn Prytz, Chairman, presiding. The following is an extract from the report circulated with the accounts:

Although trading was slow during the first half of the year a marked improvement in business took place in July, with numerous inquiries, particularly concerning tankers, and several contracts were signed. For the rest of the year business continued at a satisfactory level.

In order to achieve a better relationship between share capital and turnover it was decided to issue 110,000 fully paid up shares of Kr 100:—apiece partly out of taxed reserves for distribution to existing shareholders at a ratio of one share for each three shares held.

PRODUCTION

During 1955 nine merchant vessels with a combined tonnage of 154,460 dwt were delivered, viz.:

- One turbine tanker of 34,320 dwt;
- One motor tanker of 23,600 dwt;
- Three motor tankers of 17,400 dwt;
- One motor bulk cargo carrier of 13,040 dwt;
- One combined ore-oil tanker of 12,360 dwt;
- One motor cargo vessel of 10,460 dwt;
- One motor cargo vessel of 8,520 dwt.

In addition, one destroyer with a displacement of 2,750 tons was delivered to the Swedish Navy.

Nine vessels with a total tonnage of 180,550 dw were launched in 1955. Over 150 vessels were serviced in the company's floating docks.

MARKET

23 new contracts were signed, 13 with Swedish shipowners and ten with foreign companies.

The order book at present shows 886,880 dwt of new shipping, in addition to satisfactory orders for diesel engines, turbo-compressors and high pressure boilers.

Steel prices continued to rise through-

out 1955 and are now at a very high level, no doubt due to the heavy demand for plate setting in during the latter part of the year. The manpower situation has improved somewhat but can still be regarded as strained, especially in the skilled grades. However, the company is now beginning to benefit from its large scale training schemes for apprentices and older workers. The average number of workers was 4,827 and salaried employees 1,143. Wages, salaries and directors' fees totalled Kr 80,591,335, as against Kr 74,804,049 during the previous year.

SUBSIDIARIES

The following are wholly owned subsidiaries of the company:

- Öresundsvarvet AB,
- AB Göteborgs Skeppsdockor,
- Rederi AB Zenit,
- Götaverkens Fönster AB.

During the year Götaverkens Dockaktiebolag has been absorbed by the parent company.

Group profits totalled Kr 7,937,283, of which it is suggested that Kr 1,415,550, shall be set aside for reserves and contingencies. Total company-owned capital amounts to Kr 65,358,679.

PROFITS

The company's net profits for 1955 amount to Kr 6,992,675, after allocating Kr 1,300,000 to employee pension funds and social service schemes, which added to Kr 4,001,212, representing undistributed profits brought forward from the previous year and Kr 4,500,000, being taxed accrued profits carried over makes a grand total of Kr 15,493,887 available for distribution.

It is proposed to allocate this amount as follows:

	Kr
To new share capital ...	11,000,000
Reserves	1,250,000
Dividend of Kr 8 per old share	2,640,000
Balance carried forward	603,887

Total: Kr 15,493,887

The report and accounts were adopted.

ALBRIGHT & WILSON LIMITED

(Manufacturers of Industrial Chemicals)

EXPANSION OF TURNOVER

INCREASING COSTS

MR KENNETH WILSON'S STATEMENT

The sixty-fourth annual general meeting of Albright & Wilson Limited was held on June 8th at the registered office of the Company, Oldbury, near Birmingham. Mr Kenneth H. Wilson, OBE, JP, the Chairman, presided.

The Secretary, Mr C. N. Wilson, read the notice convening the meeting.

The following is an extract from the Chairman's Statement:

THE ACCOUNTS

When the Group results for the first six months of 1955 were announced last September, it was stated that the market outlook was good and the expansion of turnover was expected to continue. Reference was also made to the problem of rising costs in the United Kingdom. The final results for the year confirmed expectations, in that turnover continued to rise but profit margins tended to decline.

Trading Profit for 1955, at £3,200,000 showed only a small increase over the 1954 figure of £3,134,000. Charges for depreciation increased by £135,000 from £1,264,000 to £1,399,000, reflecting the expansion of productive facilities by our subsidiaries both at home and abroad. Group taxation rose by £32,000, an increase of £190,000 in overseas taxation being partly offset by a reduction of £158,000 in United Kingdom charges. These factors, after allowing for minority interests, left the Net Profit attributable to the stockholders of Albright & Wilson Limited almost unchanged at £859,000, compared with £860,000 in 1954.

The uncertainties of general economic conditions in this country, and the possible effects on the affairs of the Company of recent Government measures to combat inflation, combine to make it particularly difficult to predict the outcome of the present year's trading. The Group results for the first quarter, and forecasts for the rest of the year, are satisfactory, but I must add that in the United Kingdom the prices of our principal raw materials are still rising, as are other elements of cost. I feel that under these circumstances it would be unwise to express too great a confidence in the immediate future, despite the encouraging results to date.

During the year, the issued Ordinary Capital of the Company was increased from £2,028,000 to £4,564,000 by the capitalisation of reserves in June followed by the rights issue in November. An interim dividend of 5 per cent was paid in September, and it is proposed that the second interim dividend of 13 per cent, paid on May 15th, should be confirmed as the final dividend for 1955, making 18 per cent for the year. The second interim dividend is at the rate forecast at the time of the rights issue, and, as then stated, no dividend in respect of 1955 is payable on the stock resulting from that issue.

REVIEW OF GROUP ACTIVITIES

Albright & Wilson Limited.—In the manufacture of phosphorus the most important costs are those of electricity and phosphate rock, both of which increased substantially during 1955. The first was affected by the

sharp increase in the price of coal, and the second by the continued rise in Atlantic freight rates, which have doubled since the beginning of 1954. During 1955 we were also adversely affected by a strike in the Florida phosphate fields, which lasted from July until September. These factors, and the general rise in wages and prices in the United Kingdom forced us to raise our selling prices in September last, after maintaining them unchanged for eighteen months. In the short term, cost increases may often be absorbed through higher turnover; but sooner or later, selling prices must reflect the continuing pressure of inflation on operating margins.

Proban Limited, in which Albright & Wilson Limited and The Bradford Dyers' Association Limited are equal partners, is actively developing a durable anti-flame finish for textiles, which is attracting growing attention from industry and the public.

Marchon Products Limited.—The entry of Marchon Products Limited into the Group took place almost at the end of 1955 and consequently consolidated profit for the year has been very little affected by this event. A full account of this young and energetic Company is given in the Annual Report, and I will confine my remarks here to saying that the association of the activities of Marchon Products with our own will be a source of permanent strength to the whole Group.

Electric Reduction Company of Canada Limited.—Sales and profits of our Canadian Company increased substantially in 1955. With the completion of the new phosphorus works at Varennes, Quebec, we are now planning factories at Vancouver, BC, and Hamilton, Ontario. These moves are in pursuance of our policy of developing our interests in Canada to keep pace with the rapid expansion of the country's economy; and of reducing costs by siting our developments as near as possible to the centres of consumption.

Oldbury Electro-Chemical Company (USA).—I am pleased to be able to report that sales and profit of our American Company in 1955 also showed a marked rise. In particular, the new works at Columbus, Mississippi, increased its output of sodium chlorate and phosphorus pentasulphide, despite stiffening competition. The information we have for the current year indicates that this successful trend is continuing, a result the more satisfactory since our company is one of the smaller units in the American chemical industry.

Albright & Wilson (Australia) Pty. Limited.—In Australia, as in Canada, the vigorous movement towards industrial self-sufficiency has called for further expansion of our manufacturing facilities. Our factory at Yarraville, where a new phosphorus furnace was brought into operation during the year, is manufacturing an increasing range of chemicals to meet the demands of new and expanding industries.

The Report and Accounts were adopted and the dividend as recommended was approved. The retiring directors, Mr K. H. Wilson, Mr J. C. Christopherson, Mr W. E. K. Piercy, Sir Henry Tizard and Mr F. Schon, having been re-elected, the proceedings terminated.

LOBITOS OILFIELDS

RECORD PRODUCTION

The forty-eighth annual general meeting of Lobitos Oilfields, Limited, was held on June 12th in London, Mr F. C. Bowring (chairman) presiding.

The following are extracts from the circulated Chairman's Statement:

Accompanied by the General Manager, I visited Peru last February. The satisfactory development of the property continues and it was of advantage to discuss with the Field Manager and his staff the present work in progress and plans for the future.

PRODUCTION AND DRILLING

Crude Oil production continued to increase, and reached a record figure of 522,719 tons. This compares with 490,338 tons for the previous year, representing an increase of 6.6 per cent over that year.

The Peruvian Company's share of the production from the Areas of Joint Development amounted to 66,318 tons in the case of the "Strip" Area, and 58,230 tons in the case of Area "A," thus the total crude oil produced by the Peruvian Company together with their share under the Areas of Joint Development, totalled 647,267 tons.

The increase in production came from the El Alto Field, resulting from new discoveries and the successful completions of several deep wells. The extent of the deep producing area in this part of the Field has to be determined, but it is not unpromising.

The Production Department continued the programme of replacing the mechanical pumping of wells by gas displacement pumping. At the end of the period under review over 40 per cent of the production of the Field was being lifted by this method. The footage drilled during the year totalled 234,377 feet compared with 206,152 feet for the previous year.

The consumption of refined products within Peru continued to increase, but less rapidly than in the previous year. Your subsidiary company's contribution to the domestic market increased from 65 per cent of their production in 1954 to 66 per cent for the year 1955.

The Refinery operated satisfactorily throughout the year, and 188,690 tons of crude oil were processed, an increase of 10,890 tons over the previous year.

Despite the continued intense competition in the marketing of refined products in the United Kingdom and Eire, your three distribution companies had a satisfactory year and more than maintained their respective market positions.

ACCOUNTS

The Gross Profit of the Group amounts to £1,243,085 (£1,224,490 in 1954) after writing off largely increased development expenditures in Peru of £476,752.

The Gross Profit of Lobitos Oilfields, Limited is £744,603 and, after charging Taxation of £304,248 excluding Distributive Profits Tax, £440,355 is available for allocation.

Your Board recommends the payment of a Final Dividend of 8 per cent (less Income Tax) which together with the Interim Dividend of 6 per cent represents a total distribution of 14 per cent out of the trading profits of the year plus a special distribution of 2 per cent from the Investments Reserve out of profits realised on the Sale of Investments.

The report and accounts were adopted.

J. LYONS AND COMPANY LIMITED

"TINY FRACTIONS OF PROFIT ON MILLIONS OF SALES"

MR M. GLUCKSTEIN'S REVIEW

The Annual General Meeting of J. Lyons and Company Limited will be held on July 3rd at The Trocadero Restaurant, Piccadilly Circus, London, W.1.

The following is the statement by the Chairman, Mr M. Gluckstein, which has been circulated with the Report and Accounts for the year ended March 31, 1956:

The net profit for the year is £762,261 which compares with £728,366 for the previous year.

We propose the payment of final dividends on the Ordinary, the "A" Ordinary and the Proportional Profit capital at the same rates as last year which, with the interim dividends paid in December last, will absorb £406,922. Preference and Preferred Ordinary dividends paid and accrued amount to £288,264.

The balance of the net profit for the year is £67,075; to this has to be added £146,437 brought forward from the previous year and £13,206 in respect of tax adjustments for earlier years, making a total of £226,718 to be carried forward in the Profit and Loss Account.

The balance from trading account is £3,613,593 compared with £3,773,408. I referred last year to the fluctuations there had been in world market prices of tea and to our desire to be able to reduce the prices of our packet tea at the earliest possible moment. Since then reductions in prices have been made and the provision we then thought it prudent to make went most of the way towards meeting the cost, the balance being absorbed in the accounts now before you. There has also been during the year some exceptionally heavy expenditure on renovations in our catering establishments to which I shall refer later.

Turning to the Company's Balance Sheet, you will see that the issued 6 per cent Preferred Ordinary stock now stands at £650,000. 85,154 Preferred Ordinary shares, which on issue were converted into stock, were allotted during the year in part consideration for the acquisition of all the shares in W. Lant & Company Limited and its associated companies. These companies are mineral water manufacturers operating in the Midlands.

The only other item which I think calls for comment is Stock in Trade, which shows a substantial variation, being down from £11,604,758 to £7,494,477 mainly on account of tea.

We have continued the development of Sunfresh orange drink and have also introduced Citroze, a new lemon glucose drink. The acquisition of W. Lant & Company Limited and its associated companies, to which I have referred, was made particularly for the purpose of developing Sparkling Sunfresh in the Midlands.

SUCCESSFUL NEW SPECIALITY RESTAURANTS

In our Corner Houses we have continued the policy of introducing modern speciality restaurants, of which we are particularly

proud. During the year we have opened at the Coventry Street Corner House "The Grill and Cheese," at the Strand Corner House "The Bacon and Egg" and at the Oxford Corner House "The Bacon and Egg," "The Wimpy," "The Restful Tray" and "The Trolley." The cost of providing them, as I have already said, is heavy, but we are satisfied that they are essential to meet changes in public demand and their appeal is already apparent.

In our Teashops in these days there has to be considerable expenditure directed to the maintenance of the up-to-date standards of service and amenity our customers expect of us and much work is being done. We are also introducing into more of them self-service retail shop counters for customers buying goods to take away.

EXPANSION IN PRODUCTION

Since our Tea, Coffee, Chocolate and Confectionery factories were moved to Greenford in the early 1920s much further development has followed there. The growing pressure on our space at Cadby Hall that is brought about by the ever-increasing demand for our products has made it necessary to move more of our production to Greenford. Room is available there for still further expansion in production and the space released at Cadby Hall meets the need for expansion in those productive departments which remain. Some of the ice-cream production is to be moved first and other production will follow.

A BRAKE ON INFLATION

Many of you must be tired of hearing about diminished profit margins and increased costs of all kinds; but it is impossible in these days to omit reference to them. The new rating assessments, in particular, will add a further heavy burden. Both in our catering establishments and in our wholesale departments, which supply enormous quantities of foodstuffs, we continue our policy of operating at a very small margin of profit, and it is the accumulation of these tiny fractions of profit on millions of sales that makes possible the steady maintenance of the Company's annual profit. If our business had not continued to expand the profit would have been appreciably affected. Unfortunately, once again many of our prices and charges have had to be increased during the year. We feel it is right and in the long-term interests of the Company that we should continue to avoid wherever possible, and to defer as long as possible, any increase in price. We prefer to risk being a little late rather than to be premature: to be a brake on inflation and not a spur to it.

The Company's continued progress could not be maintained without the hard work and loyalty of all ranks of the Company's employees. They make a wonderful team, or rather group of teams, for there is healthy competition between the departments. I wish to record our warm appreciation of all they have done during the year.

UNION INSURANCE SOCIETY OF CANTON

SATISFACTORY RESULTS

The annual meeting of the Union Insurance Society of Canton Limited, was held on May 24th in Hong Kong, The Honourable C. Blaker, MC, the chairman, presiding.

The following are extracts from the report, and accounts and his circulated statement:

Marine. The net premiums for the year amounted to £3,413,162. After releasing £205,000 to Profit and Loss Account the Marine Fund stands at £5,582,684.

Fire. The net premiums for the year amounted to £3,752,673. £256,742 has been transferred to Profit and Loss Account. The Fire Fund stands at £2,094,699.

Accident & General. The net premiums for the year amounted to £3,595,119. £198,932 has been transferred to Profit and Loss Account. The Accident and General Fund stands at £1,689,292.

Profit & Loss Account. Interest and dividends amounted to £514,787 and transfers from Underwriting Accounts to £660,674. After charging outgoings not brought into account elsewhere, making provision for taxation, and allowing for the minority interests of the outside Shareholders of a Subsidiary Company, the profit for the year appertaining to the Society is £735,340.

CHAIRMAN'S STATEMENT

In the Marine Department the result of the year's working was satisfactory. An increased volume of business was transacted but, because of the generally lower level of cargo rates, our marine premium income remained virtually unchanged at £3,413,162. Claims paid during the year accounted for 68 per cent of the premiums, as against 74 per cent during the previous year. This improvement in the claims experience was helped by the discontinuance of certain accounts which had shown unprofitable results in the past and by the collection of recoveries in respect of earlier years of account.

The Marine fund now amounts to 163 per cent of the year's premium and is considered satisfactory in the light of present-day trends affecting marine insurance business.

Our margin of profit in the Fire Department is not unsatisfactory though rather lower than usual in relation to premium income. A small increase in premium income was achieved in the face of very keen competition which involved rate reductions in some areas.

Further expansion took place in the Accident and General account during 1955 with particularly good progress being made in Australasia. The high costs applicable to repairs and also to the settlement of personal injury claims in connection with Motor business are features of this section of the account which show little improvement over previous years. The increase in road traffic in so many countries coupled with inadequate road systems is a problem which is likely to be with us for some time yet. The attendant problem of the higher speeds of all kinds of vehicular traffic presents further underwriting difficulties in the transaction of Motor business.

The claims experience, however, of the whole account is satisfactory being relatively lower than in the previous year and a profit of £198,932 has been realised.

The report and accounts were adopted.

BAH LIAS RUBBER

SIR ERIC MILLER'S SPEECH

The forty-fifth annual general meeting of the Bah Lias Rubber Estates, Limited, was held on June 13th in London.

Sir Eric Miller, the chairman, in the course of his speech said:

Malayan Subsidiary.—In respect of the corresponding financial year of Kulai Rubber Estate, Limited, of which as you know we hold 76 per cent of the issued capital, we have received a dividend of 45 per cent, less Malayan income tax, which was adequately covered by current earnings.

At our request the Board of the Kulai Company have reviewed their financial requirements and concur with the idea that they might make an appropriate return of capital. They have been asked to proceed accordingly and when all the formalities have been completed, by about the beginning of 1957, the Bah Lias Company may expect to receive its due proportion, estimated at over £85,000.

Dealing with results in Indonesia, the net profit for the year was Rupiah 2,858,208, or almost treble that for 1953-54, after providing for Indonesian Company Tax and levy on estimated remittable profits. No permit has yet been obtained to remit any of our 1954-55 profits.

The parent company's sterling accounts show that the year's sterling profit is mainly attributable to the dividend on our investment in Kulai Rubber Estate, Limited, which has indeed stood us in good stead in recent years.

Before the recent printing dispute ended, the Board announced their intention of dealing with the dividend for 1954-55 by way of an interim and only distribution, and warrants for the dividend of 15 per cent less tax were posted a month ago.

CAPITAL REPAYMENT

As set out in the Directors' Report, the reduction of our planted acreage and the increase in Indonesian currency resources resulting from the sale of the two estates enable them to submit at this meeting Special Resolutions to effect a capital repayment of 10s. in the £ and the conversion of the remaining stock into unnumbered shares of 2s. each, a popular denomination for plantation companies.

The main purpose for which the Bah Lias Company was established in 1911, as set out in the Memorandum of Association, was the growing of rubber and other crops in Sumatra. The Directors have over the years dutifully fulfilled their mandate with reasonable success and broadened the Company's sphere of interest in 1933 by the investment in Kulai Rubber Estate, Limited, in Malaya. As we said in the supplement to this year's Report, "The generation which subscribed the money for the large scale development of the Plantation Rubber Industry some 45 years ago were consciously doing constructive work of a long-term character, and would be horrified at the current habit of assessing the companies on their 'break-up value'." Before taking an interest in the Bah Lias Company a prospective investor would surely ascertain the nature of its business and where it was operating.

Whether they would admit it or not there may well be a number of Stockholders who have acquired their first stake in the Company during the past couple of years, not with the idea of supporting the purpose for which the Company primarily exists, but with an eye on a possible capital distribution. The sale of Batang Sapongol and Gergas Estates

has brought the latter about, subject, to the passing of the Special Resolutions at our meeting today and their subsequent approval by the Court.

Shareholders' rights are protected by the Companies Act and by our Articles of Association but they also have their responsibilities towards their fellow shareholders in the corporate body of which they are members. There are many ways of making money within the law, but I submit for serious reflection that destructive policies are not in the best interests of this country at any time, least of all at this juncture when our balance of payments problem is proving so intractable.

Future developments depend on whether the new Indonesian Government are going to make conditions there reasonably attractive to foreign investors. A statement of their policy is to be issued in the near future and I hope the Directors may be spared from further pressure, which it will be their duty to resist in the interests of Stockholders as a whole and of this country's economy no less than that of Indonesia.

The report was adopted and the Board's capital proposals were approved.

CRUSADER INSURANCE COMPANY LIMITED

MR HARVEY BOWRING'S STATEMENT

The Annual General Meeting of the Crusader Insurance Company Limited was held on June 14th.

In his annual statement to Shareholders Mr Harvey Bowring pointed to progress in all branches. Although new Life Sums Assured were a record at £5,886,085, with the Life Premium Income totalling £830,347, it had been possible to show a reduction of 1.09 per cent in the expense ratio. The gross "Interest Income" in the Life Department was at the rate of £4 12s. 5d. per cent against a comparable £4 9s. 9d. per cent for 1954.

Reversionary bonuses of 45s. and 38s. per £100 assured on "With Profits" Whole Life and Endowment Assurances respectively, were declared for the year ended December 31, 1955.

Among those items calling for special mention were:

(a) the inclusion of war risks and unlimited aviation cover in the Company's Life Assurance contracts, both new and those already in force;

(b) the extension of the limiting sum assured on most non-medical proposals from £1,500 to £2,000 for men and women up to 40 years of age.

FIRE AND ACCIDENT BUSINESS

The net Fire Premium Income exceeded £100,000 by £15,272, while premiums for Sickness, Accident and Miscellaneous business amounted to £593,319 (1954: £556,389). In the weekly section alone 143,720 claims payments were handled.

GROUP

There had been a further gratifying expansion in the Company's Group service to industry, evidenced by the installation during the year of 51 "Pension and Life Assurance" and 44 "Sickness and Accident" plans.

In concluding, the Chairman emphasised that it was intended not merely to preserve but also to develop and encourage the independent, individual character of the "Crusader."

BLOCK AND ANDERSON

INCREASED GROUP PROFIT

The twenty-fifth annual general meeting of Block and Anderson, Limited, was held on June 5th in London, Mr W. E. Block, chairman and joint managing director, presiding.

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

The results during the past financial year have been very satisfactory, the group profit before taxation, amounting to £235,793, compared with £118,216 the previous year. An interim dividend of 10 per cent was paid last November, and your Directors now recommend a final distribution of 25 per cent (less tax) on the increased Ordinary capital.

In spite of increasing competition, sales at home and abroad have made excellent progress. During the year we undertook the distribution of several new products which are showing promising results. About 60 per cent of the total number of Banda machines which we manufactured were sold abroad. Sales in Canada are increasing rapidly, and the organisation of your subsidiary company there is expanding to cope with the increase in business and to maintain efficient service to our customers.

Your Subsidiary Company in South Africa is continuing to make steady progress within the limits imposed by the import restrictions existing in that country. Many new machine tools have been installed at our Aycliffe factory, which should help to keep production on an economical basis and enable us to take care of new developments. Bar any major national or international setback the outlook for the future of your company continues to be promising.

The report and accounts were adopted.

BARTON & SONS

DEMAND MAINTAINED IN ALL DEPARTMENTS

The ordinary general meeting of Barton & Sons Limited was held on June 14th in London, Mr A. H. Redfern (the Chairman) presiding. The following is an extract from his circulated statement: The demand for our products has kept up in all departments, production has increased, with the result that trading profits are higher at £887,563 compared with £737,605 for the previous year, and there is a net profit of £358,953 compared with £290,487.

Towards the end of 1955 we acquired the balance of the shares in the Canadian company, Barton Tubes Limited. This company has made such good progress that extensions which will double our productive capacity have become necessary and will be completed during 1956. In the early part of 1956 we exchanged the minority holdings in the South African companies and although we now have no shares in Wright, Anderson (S.A.) Limited, we have 100 per cent holding in Bartons Tube & Conduits Limited.

During the year we built an entirely new factory at Walsall for The Premier Aluminium Casting Company Limited, and removed the whole of the plant from Birmingham. The new factory will give us a considerable increase in productive capacity and land is available for extensions.

With regard to prospects for the year 1956, there has been some slackening of demand in several industries but fortunately we have not yet experienced any serious repercussions.

The report and accounts were adopted and the total dividend of 20 per cent was approved.

THE UNITED SIA BETONG RUBBER ESTATES, LIMITED

PRINCIPLE OF RELATING REWARDS TO PRICE

SIR JOHN HAY'S VIEWS

The forty-seventh Annual General Meeting of The United Sia Betong Rubber Estates, Limited, will be held on June 20, 1956, at 19 Fenchurch Street, London, E.C.3.

Dealing with the domestic affairs of the Company, Sir John Hay pointed out that the capital actually employed in the business was very nearly three times greater than the originally subscribed capital, and that the net dividend calculated on that basis over the last four years was at the average rate of 5.5 per cent. The distribution of the Company's profits showed that the Malayan and UK Governments took 70 per cent of the total available, stockholders received 20 per cent, and 10 per cent was ploughed back into the business. Thereafter he went on as follows:

OUTLOOK FOR RUBBER

The rate of production of motor vehicles in the USA in 1955 was always regarded as abnormal and not likely to be maintained. It has become increasingly evident that accumulated stocks are more than can be readily absorbed and consequently further corrective measures have had to be applied in the form of a cut-back in current production. Similar measures have been taken in this country although to a less marked degree. With tyre manufacturers' needs thus diminished and an increase in synthetic production the statistical position has taken an unfavourable turn and finds expression in a steady and substantial fall in the price of natural rubber. Past experience has shown that at the present level of price the marginal producer tends to fall out and unless, therefore, there is a reversal of present trend natural rubber production is likely to be stabilised at about 1,800,000 tons per annum. There is another and important aspect to the fall in price. It has now about reached the level at which it can be regarded as competitive with synthetic. Although it would be optimistic to expect an immediate transfer of use from the synthetic to natural, it is reasonable to suppose that there will be a check to the extended use of the former which might otherwise occur and that world need for natural rubber should be sufficient to absorb the supplies that are likely to be forthcoming at the present price. The expansion and multiplication of synthetic manufacturing facilities points to a total productive capacity in excess of probable requirements for some time to come even after allowing for a continuance of USA use of synthetic at a rate of 60 per cent as opposed to only 40 per cent for natural. The release of Malayan rubber from the list of exports prohibited to China, although it may alter the location of purchases, is not likely to make any significant change in total demand.

This statistical assessment points to the conclusion that we have reached the stage at which competition between the two products is likely to become sharper and in the wide area within which they are interchangeable the choice will be largely determined by price. This is not a prospect which should dismay the natural rubber industry provided there is a readiness on the part of all concerned to face up to economic realities and make adjustments wherever necessary.

WAGES

In August last, when the price of rubber was 3s. 5d. per lb, employers and the workers' union entered into an agreement for an improved scale of wages varying with the price of rubber with safeguards against an increase in the cost of living. There are very valid reasons why wages should be so related. Of estate expenditure 60 per cent goes in wages. Rubber is a world commodity to be sold in the world's markets at a world price in competition with the new and greatly enlarged synthetic product which is free from such burdens as export duties and cesses. The rubber producer cannot, therefore, recoup himself for higher costs by an increase in price. The demand now made for a fixed wage divorced from the price of rubber and

at a level which would certainly result in loss and serious unemployment is not well calculated to promote the welfare of labour. It is only human to accept readily an increase in wages when rubber goes up and to offer some resistance to the downward trend when rubber falls. But even after the last adjustment labour's earnings are calculated to be five times the equivalent of the prewar rate. The principle of relating rewards to price is not one reserved for labour. It extends to all engaged in the company's service, irrespective of rank and a not unsubstantial part of their rewards is dependent on the profit realised. In an industry which experiences such widely varying fortune there should be a ready recognition of the fact that it is only by the continued application of this principle that stable employment can be assured.

TO THE STOCKHOLDERS OF THE SCOTTISH MOTOR TRACTION COMPANY LIMITED

The following is a copy of a circular letter sent by Investment Registry Limited to the Stockholders of the above company:—

14th June 1956.

DEAR SIR (or MADAM),

Notwithstanding the announcement that House of Fraser Limited are proposing, subject to various conditions, to make an offer for the capital of S.M.T., the Sears Board are satisfied that their offer to exchange one Sears 5s. "A" Ordinary Share for each 5s. Stock Unit of S.M.T. is a fair one and should be accepted because:—

(1) The terms of the conditional Fraser offer proposed to be made appear to be less advantageous to S.M.T. Stockholders than those of the Sears offer. In particular, if the latest dividend (equivalent to 32½ per cent.) on the Fraser shares is maintained on the increased capital, it would be covered only about 1½ times by the present combined earnings, as compared with the dividend of at least 20 per cent. forecast on the Sears shares which would be covered nearly 3 times.

(2) The Sears offer has the advantage of giving you an opportunity to participate in an expanding business which has already achieved substantial success in a wide field of industrial activities. Sears can be of considerable benefit to S.M.T. House of Fraser has no such growth potentiality as it is solely a drapery concern. Association with Frasers cannot be of any assistance to the S.M.T. businesses.

(3) Sears already have important interests in Scotland and intend that S.M.T. shall remain essentially a Scottish concern.

(4) The Sears offer is a firm one subject only to receipt of an adequate number of acceptances. The proposed offer by Frasers is subject to various conditions which may or may not be fulfilled.

You are, therefore, reminded that Monday next, 18th June 1956, is the last day for acceptance of the Sears offer and that if sufficient acceptances are not received by that date the offer will lapse.

Acceptances should be addressed to INVESTMENT REGISTRY LIMITED, 6 Grafton Street, London, W.1, and posted so as to be delivered not later than Monday, 18th June 1956.

Yours faithfully,

For and on behalf of

INVESTMENT REGISTRY LIMITED,
W. J. BOSWELL, Secretary.

Copies of the Offer and Forms of Acceptance can be obtained from Investment Registry Limited, 6 Grafton Street, London, W.1. (Telephone Hyde Park 6837.)

APPOINTMENTS

UNIVERSITY OF BIRMINGHAM

Applications are invited for the post of Lecturer in Social Administration. Applicants should preferably have a degree in Social Administration or an equivalent qualification. They should be capable of teaching at undergraduate and post-graduate level. Research experience would be an advantage. The appointment will be in Grade II (£650 to £1,350 p.a.) according to age and experience, with F.S.S.U. allowances. Applications, with the names of three referees, should be sent by July 9, 1956, to the Registrar, The University, Birmingham, 15, from whom further particulars may be obtained.

G. L. BARNES, Secretary.

UNIVERSITY OF GLASGOW

RESEARCH ASSISTANTSHIP IN SOCIAL AND ECONOMIC RESEARCH FOR THE SURVEY OF GOVANS

Applications are invited for a Research Assistantship in the Department of Social and Economic Research. The successful applicant will be required to undertake work and conduct household interviews in connection with a sociological survey of the Govan district. Salary scale: £550-£650. Initial salary according to experience and qualifications. F.S.S.U. and other allowances benefits. Applications (three copies) should be lodged, not later than June 30, 1956, with the undersigned, from whom further particulars may be obtained.

ROBT. HUTCHESON, Secretary of University Court.

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited for a temporary Tutorship in Economics. Salary between £400 and £500 per annum, according to qualifications and experience. The appointment will be for one year in the first instance and may be renewed for a second year. Applications should be sent by June 30, 1956, to the Registrar, University College, Singleton Park, Swansea, from whom further particulars may be obtained.

H. M. TREASURY: The Civil Service Commissioners invite applications for (a) two posts of ECONOMIC ASSISTANT and (b) one or two posts of ECONOMIC ASSISTANT. The appointments are initially for five years (or less by arrangement).

Age on July 1, 1956: post (a) at least 30; post (b) at least 22 and preferably under 30. Candidates must have at least a Second Class Honours degree in Economics or a related subject. For post (a) experience in teaching Economics or in an economic advisory capacity is expected. Applications for post (b) should be considered from those taking their degrees this year.

Salary (according to age and experience): post (a) £2,415-£1,755 (men), £1,317-£1,625 (women); post (b) £1,580-£1,050 (men), £970 (women). Women's pay being improved under equal pay scheme. Salary scales and conditions of service are under review. F.S.S.U. applies.

Particulars and application form from Secretary, Civil Service Commission, 6 Burlington Gardens, London, W.1, quoting No. 4597/56/7. Completed application forms should be returned by June 29, 1956.

AGRICULTURAL RESEARCH COUNCIL require an Assistant Statistician in their Unit of Statistics, University of Aberdeen. Appointment in Assistant Experimental Officer grade; minimum qualification G.C.E. Science, but a degree is preferable. An applicant with better qualifications, appointment as Experimental Officer can be considered. Starting salary, according to age, in scale £328-£706 (A.E.O.) or £781-£968 (E.O.). Contrary to the usual scheme. Applications, with names of three referees, to the Secretary, Agricultural Research Council, 15 Regent Street, London, S.W.1. Within two weeks.

THE INSTITUTE OF PERSONNEL MANAGEMENT wishes to appoint a man to its Headquarters staff to organise training courses and assist the Director in planning these and other activities.

This post provides unusual opportunities to gain wide experience of current personnel practice in industry and commerce; it entails maintaining direct touch with many individual and national organisations concerned with personnel management.

Applications are invited from men aged about 30 years. Personnel management training is required and about three years' experience in personnel management. The starting salary will be in the region of £750 per annum, but may vary according to experience and qualifications. Applications, to be received by June 22nd, should be marked "Confidential" and addressed to the Director, I.P.M. Management House, 8 Hill Street, London, W.1.

MARKET RESEARCH. A number of appointments are to be made in the expanding Consumer and Retail Research Unit of a large industrial company in the provinces. The work is in a new and interesting field and there will be opportunities to contribute to all aspects of it. Essential requirements are a good academic background in Economics or Sociology and wide experience of consumer research methods in an agency or in industry. Starting salaries will be assessed on each case on qualifications and experience offered. In certain circumstances houses to rent will be available locally. Applications should be as detailed as possible; they will be treated in the strictest confidence.—Box 442.

NATIONAL TRADE ASSOCIATION with London Headquarters seeks top Executive with background high administrative experience.—Applications, giving full details, including age and salary expected, to Box 445.

WELL-KNOWN Engineering Group with world-wide ramifications invite applications from Qualified Technicians or Accountants with local experience for important appointment. The immediate vacancy carries considerable responsibility and offers unusual scope for advancement. Applicants should be 35 to 40 years of age and be prepared to travel extensively. Please state all relevant details concerning education and experience, together with suitable references, which will be held as strictly confidential.—Apply Box 669, Woolward Court, 80a George Street, Edinburgh.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of TUTOR IN SOCIAL ADMINISTRATION. The Department of Government and Administration, in connection with the Selective Recruitment and Training Scheme for Hospital Administrators in England, Wales and Scotland. Candidates should be graduates with experience in hospital administration, and the appointment is for three years in the first instance, with a possibility of a renewal for a further period. Salary on a scale £650 to £1,350 per annum; initial salary according to qualifications and experience. Membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than July 9, 1956, to the Registrar, The University, Manchester, 13, from whom further particulars and forms of application may be obtained.

CHIEF EXECUTIVE DESIGNATE

The Western Region Production Development Board, with the approval and support of the Government of the Western Region of Nigeria, intends to establish a Western Region Housing Trust. The objects of the Trust will be the development of Housing Estates as well as fostering the growth of home ownership on building society lines. Applications are invited for the post of CHIEF EXECUTIVE OFFICER DESIGNATE OF THE TRUST. In the preliminary stages his chief duties will be to assist in drafting legislation and in drawing up plans for the establishment and operation of the Trust. During this period he will be engaged on the staff of the Board, but subject to satisfactory performance, will become the Chief Officer of the Trust when formed.

Applicants should possess wide administrative experience in the fields of planning, development, construction and financing of housing areas and of home-ownership schemes. Academic and professional qualifications will be an advantage.

Salary will be £2,500-£3,500, point of entry depending on qualification and experience. Further details of the proposed Trust and of the Board's terms and conditions of service can be obtained from:—

The London Representative,
Western Region Production Development Board,
18 Grosvenor Gardens,
London, S.W.1.

to whom applications, giving full details of experience, qualifications, etc., should be addressed: replies to reach him not later than July 31, 1956.

GENERAL TERMS OF EMPLOYMENT: House with basic furniture provided at rental of £150 per annum; up to 10 per cent Provident Fund; Outfit Allowance £60; Free medical service; Free passages for wife; home leave at full pay at the rate of five days per month of overseas service; normal length of four 18 months.

£2,000 p.a. is the commencing salary offered to several bright young men as junior executives in a large and highly successful manufacturing group with headquarters in Manchester area (not cotton industry).

Principal qualifications required are proved intellectual capacity coupled with consistent and able application to duties.

A technical qualification of some kind is desirable, but it does not matter whether this is in engineering, chemistry, commerce or accountancy, and a University degree, while an asset, is not essential.

Age 30-35 preferred, but up to 40 considered.

These vacancies exist solely due to continuous expansion of our organisation.

We do not wish to receive applications from misundstood supermen who expect a free ride, or nepotism, would already be Managing Director, or business at present employing them, but to the right type of young man with brains, imagination, personality, and a capacity for hard work, we can offer an exceptional opportunity of successful career in industry.

Full details, in confidence, in first letter, please. Interviews will be arranged only with those who comply.—Box 14

ARTS GRADUATES FOR WORK STUDY

GEO. BASSETT & COMPANY, LIMITED, Manufacturers Confectioners, employing over 2,800, have vacancies for Arts Graduates graduating or completing National Service this year as PRODUCTION STUDY TRAINEES. These vacancies offer a good introduction into industry for non-technical graduates. After a short but intensive period of training in the factory the trainee will be sent on a suitable Work Study Course. He will then join the Production Study Department and his duties will consist of carrying out analytical studies of operations to ensure that the most effective use is being made of materials, labour and equipment. The Company has a progressive and enlightened attitude towards modern management techniques and there will be many opportunities for advancement, not necessarily in production study, for a graduate who shows the right attitude.

Necessary qualifications are a good Arts Degree with an interest in human relations and suitable personality. Excellent commencing salary offered plus profit-sharing bonus and pension schemes.—Reply in confidence, with full details of career, to the Managing Director, P.O. Box No. 80, Sheffield.

IBM UNITED KINGDOM LIMITED, manufacturers and distributors of Punched Card Accounting equipment and Electronic Data Processing Machines, require men of the highest calibre for intensely interesting work comprising investigation of accounting and book-keeping methods and systems, the preparation of reports and proposals and the subsequent installation of recommended machine accounting methods. Applicants should be under 35, preferably with a degree or professional qualification or with a wide experience of commercial and/or industrial systems and methods, or experience in a large Punched Card accounting business.

Card can be considered. Nine to sixteen months' training is given and good salaries based on individual earnings and needs are paid during this period. Subsequent earnings will be in the very high income group. Men are required primarily for the London area, Midlands, Manchester, and South and Scotland. Will applicants please give full particulars of education, qualifications and experience, as only those with first-class background will be selected for interview during the next six weeks for the course which commences on September 18, 1956, in London. Please write in the first instance to Personnel Manager, 100 Wigmore Street, London, W.1, quoting reference EAM 5.

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG

Applications are invited for appointment to the following two posts:—

LECTURER IN MATHEMATICS
LECTURER IN STATISTICS

Duties to be assumed on January 1, 1957, or earlier if possible. The salary attached to the post of Lecturer is on the scale £850 to £1,150, plus a temporary cost of living allowance of £234 in the case of a married man.

Membership of the Provident Fund is compulsory. Membership of the Staff Medical Aid Fund is also obligatory in the case of an officer who is eligible for membership.

Applicants are advised to obtain a copy of the information sheet relating to these vacancies from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in South Africa and London, on August 31, 1956.

ACTUARIAL STUDENT FOR SOUTH AFRICA

Established Society, conducting Life and General business in the Union and the Rhodesias, is expanding and requires a young student, who has passed or about to pass Part II of the examinations, as Assistant to the Actuary. A generous commencing salary will be paid and there are excellent opportunities for promotion. All costs incidental to taking examinations and passage to the Union are paid by the Society. Pension scheme, medical aid scheme. Long leave granted every five years for holiday outside Southern Africa.—Write Box M/198, Strand House, London W.C.2.

PRODUCTION ENGINEER required for Senior Appointment with leading Motor Car Manufacturers, to be responsible for Controlling Production Planning, Machine Tool Specification, Jig, Tool and Gauge Design, and Plant Layout.

Applicants must prove a successful record in a similar capacity, and should not be over 45 years of age. Only those with experience of Modern Machine Techniques, Assembly and Layout, and of managing a large staff need apply.

The position is superannuated, carries substantial remuneration, and presents first-class opportunities for advancement.

Applications will be treated in strict confidence, should contain full particulars and be addressed to Box E.296, c/o 191 Gresham House, E.C.2.

FOREIGN LIAISON AND EXPORT; PUBLIC RELATIONS.—Gentleman of considerable business and administrative experience (R.N. background) seeks post, preferably with an organisation seeking to expand or consolidate its interests in Europe.

He is used to responsibility and possesses initiative and tact. Good negotiator. Planning and staff experience. Wide knowledge Europe, with useful business and official contacts. Fluent French, also Italian and German.—Box 446.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—DIVIDEND NOTICE.—ORDINARY CAPITAL STOCK.—At a meeting of the Board of Directors held today, a dividend of seventy-five cents per share on the Ordinary Capital Stock was declared in respect of the year 1956 payable in Canadian funds on August 1, 1956, to shareholders of record at 3.30 p.m. on June 22, 1956.—By order of the Board, FREDERICK BRAMLEY, Secretary, Montreal, June 11, 1956.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—DIVIDEND NOTICE.—ORDINARY CAPITAL STOCK.—At a meeting of the Board of Directors held today, a dividend of seventy-five cents per share on the Ordinary Capital Stock was declared in respect of the year 1956 payable in Canadian funds on August 1, 1956, to shareholders of record at 3.30 p.m. on June 22, 1956.—By order of the Board, FREDERICK BRAMLEY, Secretary, Montreal, June 11, 1956.

B.Sc.(ECON.) LONDON UNIVERSITY

UNIVERSITY CORRESPONDENCE COLLEGE provides part tuition for the above Degree (obtainable without residence), which is a valuable qualification for those seeking executive appointments in commerce or industry, government or municipal posts. The College, est. 1887, is an Educational Trust. Highly qualified Tutors, low fees. Prospectus of U.C.C. Courses for B.Sc. Degree and Dip.Econ., C.E.E., free from the Registrar, 60 Burlington House, Cambridge.

YOUR NEW ADVERTISEMENTS are bringing in a steady stream of enquiries, writes a manufacturer. I act as advertising dept. to smaller firms who want to grow. Complete preparation of press and other publicity. I can help you sell more, and save money.—H. G. Penman, 76 Grange Road, London, W.5.

DIRECT from the dairy Somerset CLOTTED CREAM by post 5s. per 4 lb. 9s. 6d. per lb. cash with order.—The Western Counties Creameries Limited, 10 Sherborne Road, Yeovil, Somerset.

SUBSTANTIAL investment (up to £200,000) in a well-established and expanding business is sought by an institutional client who can provide top level management if required. Send particulars to Spicer and Pegler, Chartered Accountants, 19 Fenchurch Street, E.C.3.

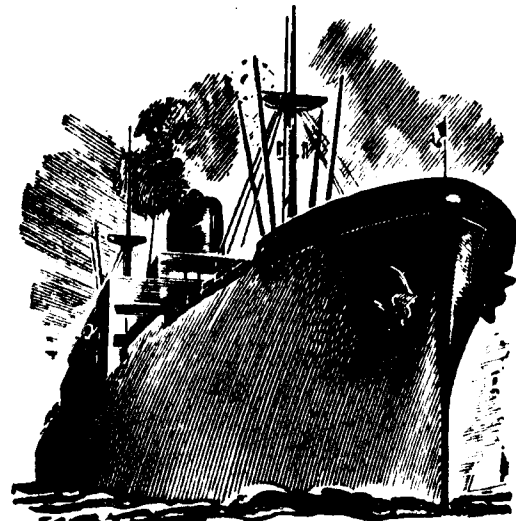
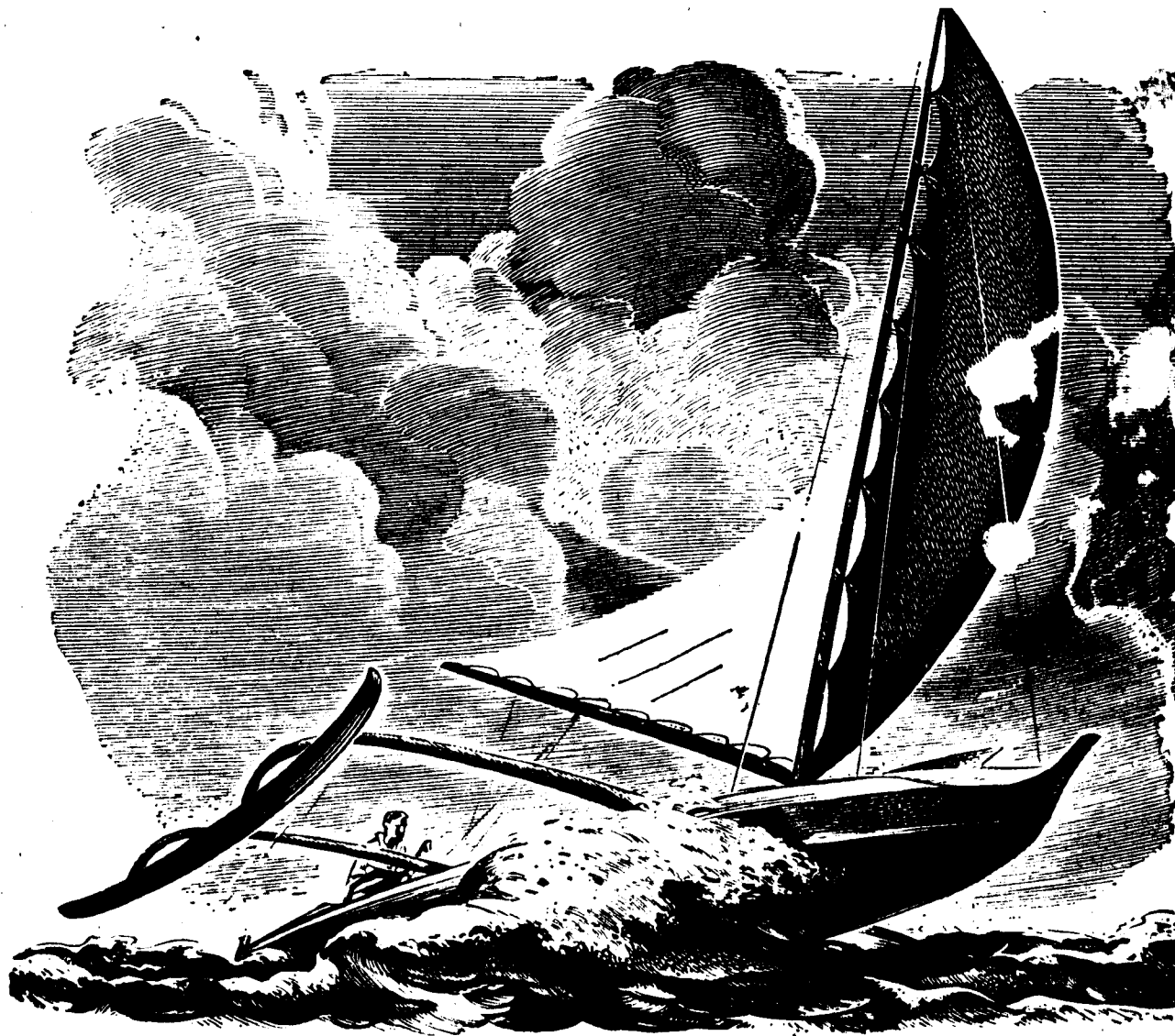
EXPERT POSTAL TUITION for Examinations—University, Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2).

METROPOLITAN COLLEGE ST. ALBANS or call at 36 Queen Victoria Street, London, E.C.4.

The Economist: Annual Air Subscription Rates

India: £8.5s. (sterling)	Europe (except Poland): £4.15s.	Iran: £6	New Zealand: £9 (sterling)	S. America and W. Indies: £7.15s.
USA: \$21.50 or £7.14s	Gibraltar, Malta: £3.15s.	Israel: £6	Nigeria, Gold Coast: £5.5s.	Sudan: £5.10s.
Africa: £5.5s.	Hongkong: £7	Japan: £9	Pakistan: £6	Union of S. Africa: £5.10s.
China: £5.5s.	India & Ceylon: £6	Malaya: £6.15s.	Rhodesia (N. & S.): £5.10s.	U.S.A.: \$21.50 or £7.14s.

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A Suggestion for Mobility
The Commonwealth Ministers
Enemies of the People?

Marginal Belgium
Chemicals from Oil

AMERICAN SURVEY: Labour Goes Slow
THE WORLD OVERSEAS: Diem's Shaky Foundations
BOOKS: Quotes—but Votes?

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VOLUME CLXXIX • NUMBER 5887

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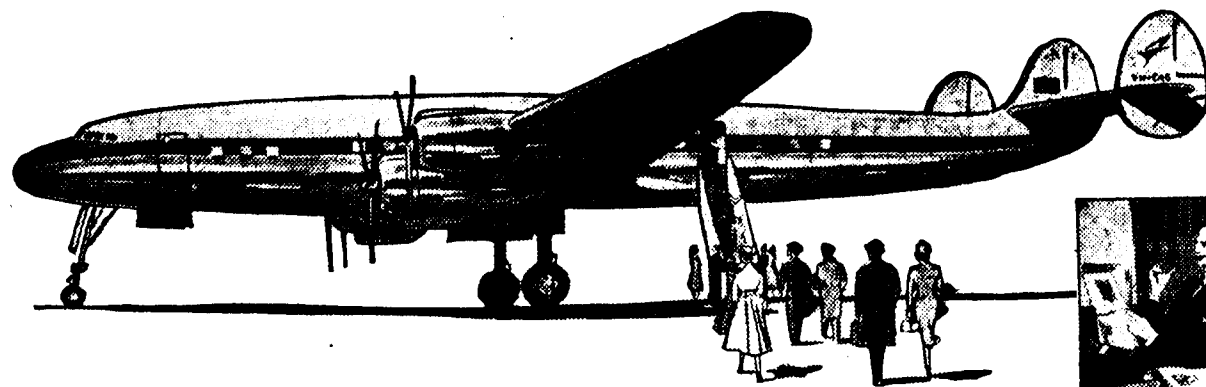
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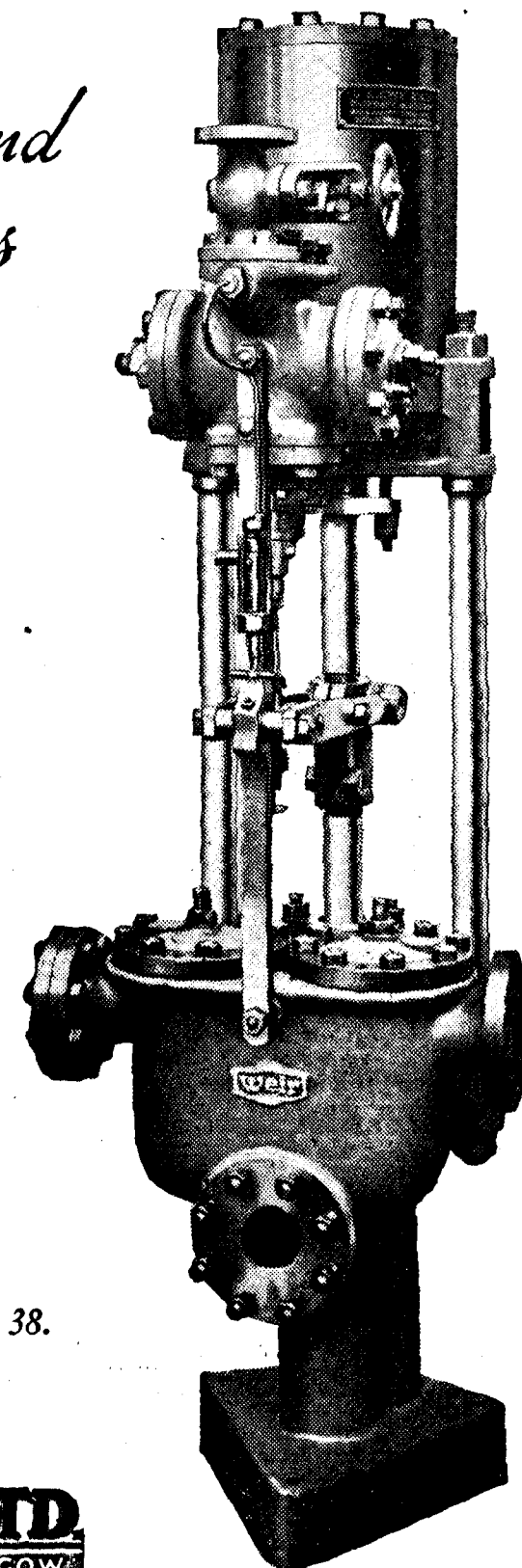
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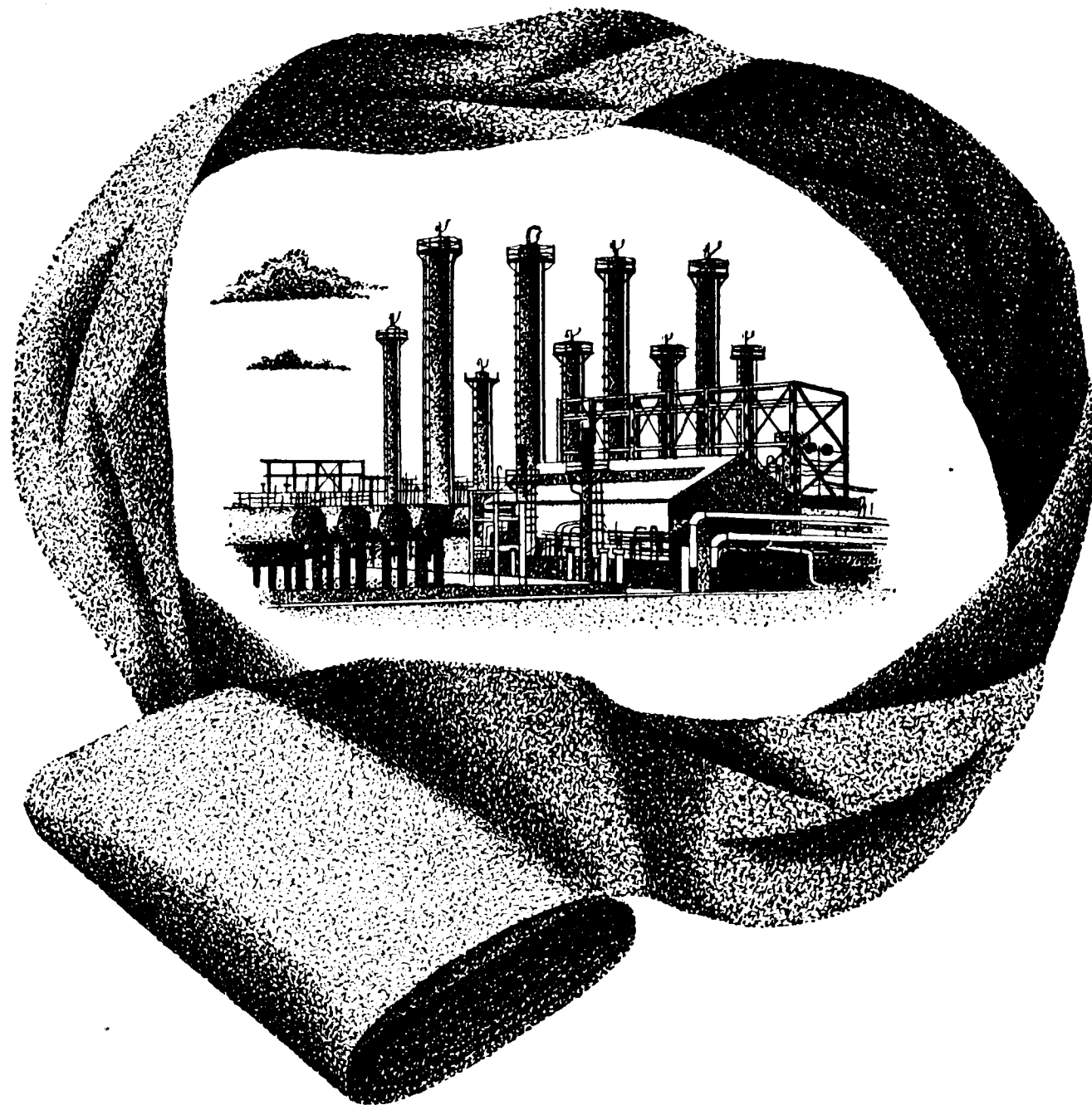
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The Economist

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JUNE 23, 1956

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Defence is Not Expendable

NO apology is needed for returning yet again with a warning note to the subject of defence economies which is at present capturing public attention and engrossing Cabinet time. It has taken the near-disasters of twenty years of war and cold war to teach the democracies that they must stand ready and equipped to defend themselves against any threat to the balance of power. Much blood and treasure have been paid to learn the lesson. We must not decide now without the most searching debate and exhaustive public explanation to go back on these painfully trodden tracks; and we must never for an instant forget the effect of our decisions (whether on economy or conscription) upon our friends, across the Atlantic and in Europe.

There is no need to suppose yet that the primrose path is likely to be taken; the first batch of savings when they are announced may in themselves be sensible enough; in fact, the doubt has rather been whether they would be real. But in the mood of today the danger of penny-wise, pound-foolish is ever present. There are persuasive arguments for new thoughts on defence. The least persuasive is the argument which simply says that because an essential component of defence strength is economic strength—as indeed it is—defence must give way (against even the counsel of Adam Smith) to opulence. There are other candidates for savings, if the devil drives, in the welfare state; and our economic ills can be cured only by policy, not by short-sighted short cuts. The most persuasive argument is that too much of the present defence apparatus is out of date; but the answer must take due heed of the high cost and long incubation of up-to-date replacements. The most difficult and deceptive argument is the one which says that, fearful of "the bomb," the Russians and their allies have now sworn off war and turned over to economic and political warfare instead.

No doubt the communists, like the rest of us, fear destruction and will not court it. No doubt they are beginning, with high hopes of success, on a campaign across the world of trade and propaganda. No doubt we and our allies have now to turn with fresh competitive zest to this rivalry of wits and resources; and no doubt what we can fairly and safely subtract from the claims of defence should go first of all to aid us in this other effort. But these are not options between which we can now choose: defence or "competitive coexistence." Both have to be faced.

Two questions must be asked before the wrong conclusions are drawn from the apparent shift of emphasis in communist policy. To the first question—why the shift?—the answer is obvious: the communists do not want war, whether all-out or limited, because they cannot reckon upon winning it; and they cannot reckon upon winning it because the western powers have, haltingly enough, made themselves too strong. The conclusion is as obvious as the answer: the western powers must stay strong if the communist powers are not to

shift back again to the threat of war—or, more probably and insidiously, of blackmail short of war. The second question is whether the Russians and their allies themselves have suited their deeds to their more peaceful words. The answer is that, in spite of (or indeed because of) what seems to be a large and belated revision of their defence arrangements which has reduced their wasteful and old-fashioned standing armies an overload that we do not possess, they may by all accounts present, if we falter, a greater military threat in numbers and in quality than ever, with possibly an advantage in many modern weapons. The conclusion, again, is obvious.

★

The Cabinet should not weary in well-doing, but Ministers must be sure that it is well done. The case has been stated more than once in these columns for a Minister of Defence with a will of his own and teeth. The state of affairs which has seen such vast defence expenditure with such disappointingly small results is clearly capable of reform. The much talked-of savings of stocks which in modern war may be otiose can possibly be justified. The service passion for clinging on to out-moded things, at high expense, can usefully be curbed. But there are three prescriptions which, in

rooting out duplication and waste, Ministers will ignore at their, and the country's, peril.

The first prescription is that any cuts must make military sense: they must be related to the balance of power and not simply to the balance of payments, life-and-death matter though that is as well. The second, which springs equally from our military and our economic necessities, is that no cuts shall be made except in concert with our allies: those who talk of fresh positive tasks for Nato would do well to start by making the existing concert of policies and arms and the dovetailing of defence programmes and burdens the realities which at present they are not. The third prescription, which is at the core of the first and the second, is that this essential process of getting the largest effectiveness in up-to-date joint defence out of the lowest expenditure of money and resources must be conducted hand-in-hand and step-by-step with the United States. Defence economies are possible, indeed indispensable, in this "long haul"; and the progressive refashioning of the forces offers more savings than any reasonable catch-crop this year. But if the haul itself slackens, then the most hopeful feature of our times by contrast with a more myopic past is clouded, and we stand again in an old danger.

A Suggestion for Mobility

PERHAPS the most important economic problem before Britain at the moment, it was suggested in an article in *The Economist* last week, is that of encouraging the mobility of labour—out of jobs in which it is no longer required, swiftly and without impediments to production. The urgency of this problem does not arise from any expectation that increasing mechanisation is going to cause redundancies in particular industries on any very large scale: the "spectre of automation" has been exaggerated (although, if it is going to stimulate discussion about mobility, perhaps that is an advantage). But the main—and rather appalling—lesson of the present period of curtailment of excess demand needs to be taken to heart.

At the first rumour of redundancy in many factories there has been a tendency to reduce output per head in order to spread work, and this has reached its apogee in the very general transfer of affected works from a five-day to a four-day week. A cut of demand for some products by a fifth has led to an increase in involuntary leisure for everybody concerned by a fifth, instead of to a transfer of a fifth of the workers to other employments that are crying out for labour. Quite apart from the immediate loss of production to the country, this experience is injecting a dangerous muddle into current economic thinking in Whitehall. It is being said that

the weapons chosen for disinflation, monetary and (belatedly) fiscal policy, have worked too slowly, whereas the real retardation has been in the operation of the connecting rods which should be set into effect by any sort of disinflation at all. And from this it is but a short step to the thesis that, since the process of slowing down after excess expansion is uncomfortable, expansion itself cannot be risked. This is as though a baffled motorist were to determine to drive for ever on the clutch, because when the clutch is engaged, and when he pulls certain levers, funny noises that he does not understand can be heard beneath the bonnet of his car.

Swifter and smoother redeployment of labour is not, of course, a matter for Government policy alone. Employers, trade unions—and, for that matter, workers themselves—also have a part to play. But the Government seems at present to be held back by two considerations from a policy of accepting and proclaiming that speedier dismissals in times of disinflation would be in the national interest. One is its fear that such a policy seems inhuman; the other is uncertainty about how such a policy could be advanced. The time is ripe for unemotional discussion of both questions.

The first point that needs to be grasped by those politicians who sincerely believe that to introduce any element of job insecurity is inhuman is that the British

worker is much less firmly wedded to a single factory and lifetime job than is commonly supposed. Each month the Ministry of Labour publishes figures of labour turnover; they are astonishingly consistent figures and, although below United States levels, also surprisingly high. About 3 per cent of those employed in most manufacturing industries at the beginning of any month change their jobs—leave and are replaced—during that month; even allowing for a small corps of vagrants who tend to change jobs every three or four months, and thus swell the figures for the annual turnover, this suggests that the average factory may change between a quarter and a third of its labour force every year. The sort of sudden crop of 20 per cent redundancies that has recently struck the Standard works, therefore—provided the schedule of sackings is sensibly worked out—need not necessarily affect many men who would not be leaving the factory during the ensuing year in any event. There is, of course, the vital difference that when men leave of their own free will they are usually going to a better job; when they are thrown out by redundancies, they usually have to go to a worse one. There is also the point that voluntary departures from high wage companies—of which Standards is one—are much lower than voluntary departures from low wage companies. Hence, and understandably, the present friction and the fuss. But the picture so often conjured up by large-scale sackings of this sort—the picture of an inhuman interruption to the assumed settled habits of a lifetime—is, in most instances, an unrecognisable caricature of real life.

★

The second point to be grasped in assessing the pains of mobility is that travelling to work at a moderate distance is now easier than it has ever been before. The catchment area of the average factory is surprisingly large, often along a radius of thirty miles or more. The case of the man who has to move house and family when he changes his job is therefore the exception rather than the rule. These exceptions can, of course, have a painful time. One reason for this is that the British housing market is based on heavy subsidisation of squatters' rights; an essential part of policy for mobility, as of any policy for general economic progress, should be the abolition of rent restriction. (And, as regards council housing, is an organised exchange bureau between different areas wholly out of the question?) Another difficulty concerns education, particularly in the handful of very hard cases where a child may be due to take the 11-plus examination; there seems to be a need for some sympathetic flexibility by the education authorities here. But these cases are the exceptions; and the Ministry of Labour makes strenuous efforts to give dismissed men the necessary information about jobs within reach of their homes. At Coventry recently it set up a sub-branch of the employment exchange within the Standard works itself.

This last incident leads to consideration of one other point, which should be mentioned before proffering a specific proposal for reform. It is usual to say, when calling for mobility, that the Ministry of Labour should operate a comprehensive service of employment information, of retraining courses for skilled workers, lodging allowances, assistances to move, and so forth. So it should. But so, in sober fact, it does. Indeed the services it offers are so full that they are not fully taken up; and it has even been suggested that these are a field in which relatively painless cuts may be made in the Government's present economy drive. There should be caution in applying any such axe. But the history of these services strongly suggests that there cannot be much hope of solving the problem of immobility merely by expanding these worthy operations. Some much more radical re-thinking is required; and a specific suggestion can now be offered to the Government.

★

The suggestion is that it might be worthwhile to recast the whole system of unemployment benefit, radically increasing the benefit paid in, say, the first month of unemployment. Ideally, indeed, this first month's benefit might be a stated proportion—and a fairly high one—of the man's previous wage, thus varying between the skilled and the unskilled man and woman. Instead of everybody going on to a four-day week, the mass could be kept working full blast on a five-day week, while the sacked one-fifth, at a standard of living not much lower than they would have got from a four-day week, would have the free time to search round for a new job. This system would remove some of the present horror of the sack felt by steady and regular workers; and, more important, it would remove some of the sympathy for the potentially redundant that causes their workmates to spread out production among as many hands as possible. The period of searching for a job need not then appear as an inevitable time of penury, characterised by the hire purchase man taking away the telly.

There would have to be certain safeguards in any such scheme. At the one end the man who deliberately invites being sacked every three months or so must not be allowed to spend every fourth month in comfortable living at the insured population's expense; the scheme should only apply to those with a continuous record of contributions. At the other, there should be some flexibility for those who do not find a job even after a month; they should be able to continue to draw increased benefit on condition that they enter some retraining scheme. But at the same time as this increased temporary benefit was introduced, it would become politically possible to remove one absurdity from the present system: men on a four-day week should not be paid any unemployment benefit for their fifth day off. A scheme of this sort would not be exorbitantly expensive. A rough estimate suggests that

the cost of increasing "first-month" unemployment benefit, for people with a steady record of employment, to a level within reasonable reach of a normal industrial wage could be covered by adding 6d. a week to employers' insurance contributions; and that, probably, would be the right place to put it.

These proposals would not provide a complete answer to what might be called the "Government's share" of tackling the problem of mobility. Indeed, there are some people who will say that they would do precisely the opposite. In a country in which industrial dynamism is in danger of being lost as we loll upon

the many and cosy cushions of the welfare state, the main suggestion put forward here is not aimed at removing any of these cushions, but at introducing a new and easier one. But, for once, it would be a cushion in the right place. With the knowledge that it was there it might be easier to race at full throttle along the high road to industrial expansion. The case for installation of the cushion is simply this: that, when expansion goes awry, there might then be more readiness to take the necessary action—which is to kick more people, more quickly, although also no doubt with better planning, on to it.

The Commonwealth Ministers

NINE Prime Ministers of the Commonwealth meet in London on Wednesday. Like the Commonwealth itself, this institution of the prime ministers' conference continues to survive the changes in its composition and the nebulous character of its internal relationships. This year there are three personal changes from the last meeting early in 1955: Sir Anthony Eden replaces Sir Winston Churchill, Mr Strydom now represents South Africa, and Mr Bandanaraïke, replacing Sir John Kotelawala, represents the new political mood of Ceylon. The accompanying table of conferences since 1946 shows a remarkable continuity in personal membership over the years—a source of strength in the meetings, since men who know each other can speak plainly.

The next momentous changes in national composition of the conference, the entry of Ghana (the Gold Coast), Malaya, and eventually the Caribbean federation, are still to come. By 1958, with probably two of these changes realised, the conference will have taken on a different complexion again. Demolition of the colonial system, which expands the conference in numbers and reduces the area of common ground between the men who take part in it, is going on faster than most of the members can absorb all the implications; on some points a straightforward discussion between the prime ministers might quicken, usefully, the revision of some habitual ideas.

For one thing—though it seems likely that the prime ministers will touch no more than the fringe of the subject—the process of conceding independence to colonial peoples has reached the inevitable point at which it must begin to eat away at the established system of Imperial defence. In Ceylon one consequence (inevitable or not) of independence, the demand that the Navy should leave its Trincomalee base, became effective only after a delay. With India withdrawn into neutrality, and the Suez base swept away by another arm of the anti-colonial stream, what remains of the Imperial defence structure is by now very thinly spread

between the Mediterranean and Singapore. Demands for independence or self-determination at either end of this vast area of "neutral" sea and land (in Singapore and Cyprus), already half conceded in principle, raise the question whether a Commonwealth defence system in any concrete sense is to remain in being. It would be surprising indeed if the prime ministers in conclave produced an answer to such a question. They share no concept of common interest on which an answer could be based. Perhaps the most that can be hoped is that their discussions may strengthen or revive the habit of restraint and tolerance in taking up attitudes towards the fragments of a Commonwealth defence system that remain.

Defence is merely an example. Differences of interest and wide divergencies of approach are apparent on most subjects. Is there a possibility that the conference may have any positive results in any field? If it does, they will be veiled, as is understandable, behind the inevitable platitudinous communiqué; still, there are unusual circumstances, in the world and in the Commonwealth, which make it conceivable that three informal points of agreement might be reached as guides to future policy. The first and most obvious has appeared rather late in the day as a subject of discussion; indeed, not long ago it would hardly have had a place in the order of business. This is a reappraisal of economic policies in the light of the swing of world market conditions which has put the rest of the sterling area in the red just as the United Kingdom economy shows some signs of pulling itself together. What Mr Macmillan's squeeze may gain in Britain can easily be lost by the primary producers of the Commonwealth. Mr Macmillan may, in the circumstances, be brought in to expound the current sterling problem; if so, it is to be hoped that the prime ministers—and his own not least—will give him their full attention. In fact, of course, the machinery of

sterling area consultation is capable of dealing with these matters as routine, provided that the political will, which the prime ministers can record and pursue, is there. No more than a preliminary and general decision would be needed; the Commonwealth finance ministers could always, if necessary, meet again.

Second might come the recognition that the Commonwealth is about to go through its most testing period of change with the accession of the colonies as sovereign states. On the one hand, their way into the association of equals should be made as easy and fruitful as it can be made; help should flow, allowances be made, questions of racial difference and of relative maturity met with tact. Even South Africa may find here an occasion to show good will, by a frank limitation of South African policy to "apartheid in one country"; here is a chance to exercise a liberalism in external relations which might even ease the tension inside South Africa. On the other hand, the anti-colonial Asian members of the Commonwealth might now reasonably permit themselves to draw conclusions from the continuing evidence of British sincerity in the intention of letting the colonies, wherever and as soon as possible, go free. The difficulty comes in judging what is possible and what is not; prime ministers could be found to attack, and others to defend, a British inclination to separate off a class of small strategic colony (Singapore, Cyprus, Aden) to the early independence of which there are objections unrelated to its internal level of development. These continue as impediments to any burying of the anti-colonial hatchet; but, sooner or later, buried it must be.

Third and most important this time comes the place of the motley Commonwealth in the swiftly unfolding scene of world politics. Sir Anthony Eden, one of the three newcomers to the conference, and Mr. Nehru, its doyen, are the two conference members to have enjoyed (if that is the word) the personal visit of Mr Khrushchev and Mr Bulganin. Quite plainly Sir Anthony and Mr Nehru, two very different men looking at the matter from two very different national standpoints, are not going to offer their conference colleagues

an identical view of what the change in Russian politics portends. Yet they will both agree that there is a change in Soviet and, consequently, in world affairs. The Russian leaders have abandoned *apartheid*, for themselves if not, as yet, for their people: what part is the Commonwealth to play in the mobile and unpredictable world situation which results?

Any idea that the Commonwealth ought to act as a third force, or as a middleman, or indeed as a separate military or diplomatic force at all, contains risky illusions and will have to be—will inevitably be—rejected. A hunt for a mythical Commonwealth unity of action would lead nowhere. The Commonwealth as such cannot mediate, for it is in the main in the democratic camp already, and, even so, it is split on too many specific issues to act in concert. Miracles would have to be worked in the corridors of Downing Street next week to change that.

But there remain possibilities of related initiatives by the Commonwealth countries, fortified by an easier colonial conscience, and backed by a drive for economic development and friendly mutual help. Together and separately these countries exert an influence in the world. Individually, each in its own way, but exchanging views and information, the Commonwealth countries can press towards the opening up of normal dealings and exchanges with the Russian and Chinese peoples and régimes. In the general relationship between those régimes and most of the world it is, above all, the network of ordinary daily contacts that is lacking, the common interchange of the written and spoken word on all kinds of specialised or unspecialised subjects, and for which the grand state visit is no sort of substitute. Only such contacts could provide any proof of Russian sincerity, which is to be seen, not as something which will be suddenly discovered or revealed, but as a concept which eventually, imperceptibly, becomes established and accepted—or does not. In this work of testing, exploration, and interpretation, the protean organisation of the Commonwealth can be of great help, even if—as would not be surprising—Sir Anthony Eden and Mr Nehru speak with different voices next week.

CONTINUITY IN COMMONWEALTH PREMIERS' MEETINGS

	1946	1948	1949	1951	1953	1955	1956
Britain	Attlee	Attlee	Attlee	Attlee	Churchill	Churchill	Eden
Canada	King	St. Laurent	Pearson (*)	St. Laurent	St. Laurent	St. Laurent	St. Laurent
Australia	Chifley	Evatt (*)	Chifley	Menzies	Menzies	Menzies	Menzies
New Zealand	Nash (*)	Fraser	Fraser	Holland	Holland	Holland	Holland
South Africa	Smuts	Louw (*)	Malan	Donges (*)	Malan	Swart (*)	Strydom
India	...	Nehru	Nehru	Nehru	Nehru	Nehru	Nehru
Pakistan	...	Liaquat	Liaquat	Liaquat	M. Ali	M. Ali	M. Ali (*)
Ceylon	...	Senanayake	Senanayake	Senanayake	Senanayake (*)	Kotelawala	Bandaranaike
Rhodesia	...	Huggins	...	Huggins	...	Huggins	Malvern (*)

Representing: (*) St. Laurent, (†) Chifley, (‡) Fraser, (¶) Malan, (•) Malan, (•) Strydom. (†) Mr Dudley Senanayake, son of the previous premier, Mr D. S. Senanayake. (•) Mr Mohammad Ali, succeeded Mr Mohammad Ali August, 1955. (•) Formerly Sir Godfrey Huggins.

Enemies of the People?

IN the clamorous great debate on socialist freedom exploded again by Mr Khrushchev's much printed and much chewed-over philippic against the late and for the moment little lamented Mr Stalin—and just brought to a new pitch by the neo-Titoist observations of Signor Togliatti (and by Marshal Tito's own new party treaty with Moscow)—the prim, proper and somewhat constipated findings of the Labour party's "working party" on personal freedom* make no loud bang. Obviously, as we knew, Mr Sam Watson and his colleagues (who included Lady Megan Lloyd George as well as Mr Crossman) stand in this matter very far to the left of Mr Khrushchev and Mr Stalin alike. What is not so clear is whether they stand to the left or to right of, say, the Conservative party.

Unlike all the communist clans—the Stalinist, neo-Leninists, Trotskyites, Titoists and Togliattists—the Labour party believes sincerely enough in the only kind of democracy that deserves the name (however much other socialist dialecticians may filch the name for baser uses). It believes in the parliamentary process and the two (or more) party system, in "full rights of opposition," in free speech, fair courts and, grudgingly, the freedom of the press (though not of television). This is the party's radical tradition: "from its earliest days the British labour movement has been concerned with personal freedom." The trouble is that its socialist and class doctrine, held no less sincerely, half chokes its liberal professions. The most famous editor of this journal once wrote that "there is nothing more painful to human nature than the pain of a new idea." For the benefit of Labour this very wise saying can be stood on its head: there is nothing more painful than the pain of old ideas too deeply embedded to be altered.

This is true of the Watson report whether its authors are looking backwards (which they do too much) or forwards (which they do too little). Like old Kaspar they are still fighting over again battles long since won, wringing rights from reluctant governments and employers for miserable and degraded workpeople. Their touchstone for liberty in the modern state is still the "full vigour and independence" of trade unions—and co-operative societies. But they do not really answer Peterkin's question—"What good came of it at last?" Not by a flicker of the pen do they admit that trade unions may now belong to the over-mighty "concentrations of power" capable of menacing the liberties of individuals or consumers and of flouting the public interest. Indeed, they present the unions (and the co-operatives), as distinct from other more obstructive groups and associations, simply as "good examples of voluntary bodies which offset excessive concentration of

State power." If the unions abide by their rules to the satisfaction of the Chief Registrar of Friendly Societies, the freedom of their members, who "freely" join them, is safe. Nowhere are the duties and responsibilities of unions and unionists in the expanding economy which alone can preserve the welfare state even examined, let alone defined. Throughout the report the Labour party is seen to be frightened of its shadow—in industry.

It is when they look forward that these honest social democrats seem to give the game away. There are, it seems, two sorts of freedom: "those 'liberal' freedoms usually called civil liberties and those freedoms that can exist only in a classless society." They do not believe now in a one-party state; they do believe, or believe they believe, in a one-class state—the "equal society"—in the future. Here, of course, is the point of departure between them and those many others who until lately have marched with them in the radical campaign to ensure, against the obstacles of undeserved privilege and undue inequalities of wealth, a minimum standard of welfare, opportunity and freedom of choice for every citizen. And here, we venture to suggest, is the point of departure between their own socialism and their democracy. "Freedom and equality," they declare, "are inseparable." Let us rather ask if, on this interpretation, they are compatible.

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It might be argued that too much breath should not be spent in chasing an ideological hare. This report is the work, directly or indirectly, of many hands; obeisance had to be made to many ikons. Just as a censor must have sat on the drafter's pen to add friendly references to the trade unions at every relevant point, or to rub out any with unfriendly implications, so his elbow must have been jogged more than once by comrades urging him (in the spirit of Mr Benn Levy's rebuke to Mr Gaitskell in a recent issue of *Tribune*) "not to forget that we are socialists and proud of it." Even so, Mr Gaitskell himself is on record more than once as saying that equality's the thing; and it is through these spectacles (varying no doubt in strength and in hue with the wearer) that the keepers of the party's conscience tend to regard the problems of personal freedom.

Clearly, if the Labour goal really is the equal, classless society—to be reached by a continuous process of subjecting all independent concentrations of power, abolishing all unlicensed privilege and endlessly redistributing incomes and (with the aid of "common ownership") property—the generally reasonable and sometimes admirable safeguards for individual rights and liberties set out in the sections of the report on bureaucracy, public security, aliens, access to the courts, Crown privilege, administrative tribunals (with the

accent on judicial scrutiny), land tribunals and public inquiries (with the accent on publicity) and Ministers' powers (with some exemplary proposals) rate only a qualified welcome. He that giveth taketh away. In this reckoning, that is, there are, even at this far remove from the Kremlin, "enemies of the people" whose claims and pretensions, possessions and activities stand in the way of the socialist revolution, however peaceful and democratic. We are back at the original simple question: does the Labour Party, within the frame of policy and taxation at any one point of time, believe in the freedom of the individual, regardless of his means or his station, in the rights of Dockers as well as dockers, of the middle class voters (or non-voters) of Tonbridge as well as the trade unionists of Coventry,

Marginal Belgium

BELGIUM today rides high on the boom. The highest steel prices in Europe are inflating profits. The highest wages on the Continent have been raised further by the introduction of the five-day week. Last month the government was forced to rein in public works and credit. The export boom, together with growing preparations for the grandiose exhibition of 1958, had begun to strain the labour market and prices had begun to rise. Yet Belgium, as so often since 1949, wears its prosperity uneasily. The stock market has been gloomy for some months, and Professor Baudouin of Louvain, that oracle of the economic scene, utters warnings of the possibility of recession.

Belgium's unease can be traced in part to its critical dependence on foreign trade; imports and exports are equivalent in value to some four-fifths of the national income. This tight-packed kingdom, straddling the trade routes of the European coal and steel community, breathes in time with the expansion and contraction of demand abroad—the "Korea" boom of 1951, the steel slump of 1953, the boom of today; and it has been talk of American recession that has lately cast a shadow across the Brussels bourse. But more deeply disquieting is the realisation that in an expanding world Belgium prospers on the present scale only when a boom is at its peak. Much of the European economy shifted into high gear as early as 1953, but in Belgium there were few signs of recovery from the "post-Korea" slump until the spring of 1954, and there are still reserves of unemployed in some areas. It seems, in fact, that Belgian heavy industry has become marginal to the European economy. When world supplies of coal, steel, ships, and machinery are fully stretched, Belgian producers, who can offer quick delivery because of previous idleness, become busy too; but on price and cost they are often uncompetitive, the first to lose ground when demand slackens.

The source of this weakness can be partly found in

of the up-and-coming technicians, managers and adventurers as well as the indispensable coal-miners? It is the party's attitude to freedom and an even-handed justice for all kinds and conditions of citizens that matters more to electors than its precise programme.

Mr Watson and his working partners must be taken to mean what they say. In their own fashion they are bent on being democrats. But they can fairly be asked two questions. Do they really know where, politically, they are going? And can they say what relevance these cloudy prescriptions, with their talk of control and constraint, have to the enterprise (in every sense of the word) of the salvation and betterment of all the British people, which should be—and surely is—their first concern? Where is the dynamo?

Belgium's postwar "miracle." Its relative freedom from war damage (except in Antwerp), its foreign exchange earnings from allied lines of communication and from Congo exports, and above all its neat currency reform and swift bonfire of controls enabled its heavy industry, largely intact, to take full advantage of Europe's pressing postwar needs. When Britain and most other European countries were still gripped by an icy austerity, Buicks were blaring through Brussels and Belgians of all stations were demonstrating their prowess as consumers. And when the pound was devalued by a third, the Belgian franc survived a devaluation of only 12 per cent. But these achievements had their price. When the boom faltered in 1949 and finally subsided in 1952, Belgium was left with two grave disadvantages: high wages, and industries that still followed the pattern of an earlier century.

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The disadvantage of high wages can be exaggerated, especially in the capital-intensive industries like steel and heavy chemicals which are so important to exports; and between 1952 and 1955, in an idling economy, wages virtually stood still. But the disadvantage has been clear enough in relation to Belgium's neighbours and main competitors, Holland and Germany, for Dutch wages have been held down through a national wages policy, German wages through unemployment.

A more fundamental weakness, however, has been the antique pattern of industry. The "black country" that stretches along the Sambre and Meuse still bears the dirty if romantic stamp of the 19th century, and in parts of the Flemish textile industry there lingers a medieval echo. The railways have been losing money for even longer than Britain's, and in industry there are many signs of out of date organisation and scale. Even since the war the smaller steel firms have been putting

* *Personal Freedom*: Labour's Policy for the Individual and Society. Published by the Labour Party, Transport House, Smith Square, London, S.W.1. Price 9d.

up new blast furnaces far smaller than the optimum ones erected in Britain and Germany. The labour force of the rolling stock industry, once a vital section of engineering, has dropped by half since 1947-1949 owing to lack of orders. And in the coal mines of South Belgium, where Van Gogh preached, with their crooked narrow seams producing poor quality slacks, productivity is a third lower than the European average.

Like Britain, Belgium thus badly needs high investment and reorganisation to transform its ancient industrial pattern. But, also as in Britain, investment has been low. In 1954 Britain and Belgium, at the bottom of the European class, put a mere 6 per cent of national income into net new fixed investment. Lack of savings was not the main cause of this; low profits, the result of high wages, and government demands on the capital market bulked larger, but there were other reasons. Belgians are now amongst Europe's most uninhibited consumers, but their willingness to invest still seems to be relatively low.

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These attributes—an antique economic structure and inadequate investment—scarcely seem to qualify Belgium for the title of a “dynamic society” that was recently awarded to it in *The Times Literary Supplement*. Yet Belgium has its own dynamic. Despite setbacks since 1951, industrial output is over 50 per cent higher than before the war. This old industrial society seems to have a remarkable ability to improvise, to get the most out of old equipment and long experience, and its empiricism is little hampered by conservatism or insularity. The framework for its energies is economic liberalism. Conservative central banking has preserved the Belgian franc; low tariffs and negligible import controls enforce competition and flexibility and safeguard the consumer. The absence of state intervention has given full play to the Belgian businessman's keen eye for profit. Rents are high, but absence of rent controls and subsidised housing has at least avoided the wasteful distortions suffered in Britain.

But though the liberal framework is important, it is deceptive, for nowhere in Europe is there a more highly developed business organisation behind the scenes. A few big financial holding companies—*Société Générale*, *Brufina* and others—with power to mobilise capital, and worldwide interests, link much of Belgian business through interlocking directorships and give it flexibility and financial strength. It is these great companies, commanding interlocking groups of firms, that have opened up the Congo with such success. And during the last two years the business “establishment” has been busy. A process of amalgamation and reorganisation is adapting the older heavy industries to modern competitive conditions. Most spectacular has been the amalgamation of the two biggest firms, John Cockerill, founded by the Lancashire mechanic of that name in 1817, and Ougrée-Marihaye. With ailing pits in the Borinage, idling rolling-stock works, and steel works

which, though the biggest in Belgium, still have difficulty in competing with the Ruhr, the two separate companies embodied the weakness as well as strength of heavy industry. But the new company, which made two million tons of steel last year, should be immensely strong. For the first time it has brought together in a major enterprise the two leading Belgian holding companies, *Société Générale* and *Brufina*.

Since 1954, moreover, the Socialist-Liberal coalition government has also been stimulating expansion and modernisation, a departure from its predecessor's policy of almost complete *laissez-faire*. The slack in the economy made possible the introduction in 1954 of a major programme of public works—big new roads, modernisation of canals, and preparations for the 1958 exhibition, which will be linked with new airport developments and reorganisation of the Brussels traffic system. The government also introduced new investment allowances and 30 per cent grants toward the cost of new buildings in certain new industries, and these arrangements, though withdrawn now that the economy is stretched, bore evident fruit.

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The government's expansive policy has been attacked from the right, but on the whole there is a remarkable lack of dogmatism about Belgian economic thinking. From time to time some trade unions call for the nationalisation of basic industries, but they carry little weight. A more characteristic alternative was found for the power industry last year when a conference of employers and unions agreed to set up a combined council to rationalise investment, rates and production methods, all badly in need of reform. But the unity of purpose between the parties and a wide section of public opinion finds its most obvious expression in the common aim to transform the economy and make it viable through the development of wider open markets—Benelux, the European Coal and Steel Community and now the projected European Common Market and “Euratom.” (The coal-steel pool has already helped to modernise the backward Belgian pits, which have been the main beneficiaries of the levy raised from Dutch and German coal.) Endeavours are being made to attract, particularly for new industries, private foreign capital and skills.

Just how “marginal” the Belgian economy now is difficult to judge, but rising costs abroad, plus the country's own efforts at improvement, still seem to be strengthening its competitive position. The prospect of rising steel demand and of a continuing European coal deficit for many years make the outlook for even the marginal producer fairly bright. A big research programme is the forerunner of a future series of nuclear power stations. The nuclear materials which she commands in the Congo may in time enable Belgium to gain, among the smaller countries, a special place as an atomic industrial power.

Notes of the Week

Time to Act on Cyprus

THE study of the Cyprus question that has been in progress in London since the Governor, Field-Marshal Sir John Harding, came home nearly two weeks ago, is at an advanced stage. A tentative plan of action, designed to recapture the political initiative which the government relinquished upon the deportation of Archbishop Makarios, has by now been thrashed out. As this issue of *The Economist* goes to press, it remains undecided whether the plan is to be announced now, or shelved, perhaps indefinitely, in deference to those Conservatives who see no point in political “concessions” at a time when the anti-terrorist drive is meeting with increasing success. There are also the views of the Greek and Turkish governments to be considered. Since any political initiative, whatever precautions may be taken, will appear to favour Greek rather than Turkish Cypriots, Turkish government opposition to virtually any course of action has to be expected.

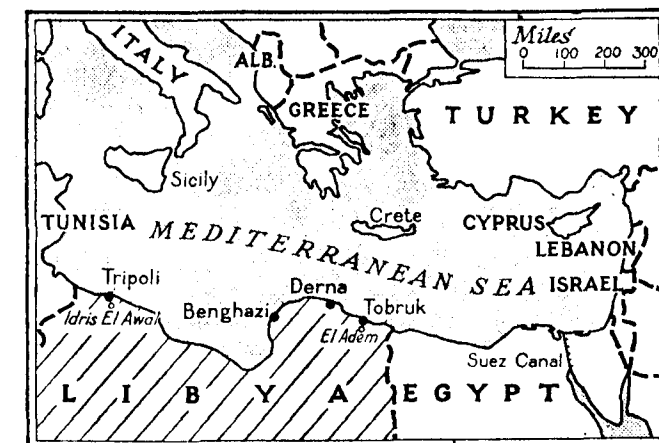
The plan now envisaged would apparently consist of an announcement of a date for self-determination, together with the unconditional offer of a constitution for limited self-government, the clauses of which—still to be worked out in their details—would provide safeguards for the Turkish minority while (inevitably, after all) allowing the Greeks an elected majority of the legislature. Despite reports to the contrary from interested parties, there is no disposition at present to consult the exiled Ethnarch. The evidence of his involvement with the Eoka terrorists, though circumstantial, is strong, and that of his duplicity—some of it still unpublished—is beyond denial. There is, of course, no lack of precedents for dealings with nationalist leaders whose tactics are questionable; but for the time being the Archbishop is being treated as an irrelevant factor.

Despite the objections, it is greatly to be hoped that the Government will brace itself to proceed with the plan. The need for political action greatly outweighs the dangers or inconveniences of taking it. With it, the campaign against the terrorists will have much enhanced chances; without it, no campaign can achieve final success.

Libya Between Loyalties

THE Libyans, whose prime minister has been talking over his problems with the British Government in London this week, occupy an uncomfortable position. The presence on their territory of western bases, and particularly of a sizeable British force, exposes them to the disapproving exhortations of their Egyptian neighbours.

These are felt all the more keenly because of the natural pull of Arab sentiment, and because Egypt exerts a powerful influence in specific ways, notably by staffing Libyan schools with Cairo-trained teachers. On the other hand, Libya's independence is not yet five years old. The stability of the country and the resumption of its economic growth depend largely on British encouragement and the money that Britain provides in return for the bases. The Libyan dilemma has recently grown sharper. Since Jordan weakened its British connection by expelling General Glubb, Libya and Iraq, at opposite corners of the Arab world, have been increasingly isolated on their pinnacles of co-operation with the West. Hostile propaganda is likely to fasten on the fact that the transfer of the headquarters of the United States 17th Air Force from Morocco to Libya has coincided with the news that Britain has on Libyan soil an armoured divisional headquarters—the division itself being fairly widely dispersed.



In these circumstances it would not be surprising if Mustapha Ahmed ben Halim, the Libyan premier, were to make his difficulties the grounds for a plea for more financial aid from Britain. On the face of it, now that Morocco and Cyprus are each subject to its own difficulties, Libya is more precious than ever as a friendly base. It may be argued that the whole strategy of the area is changing, and that it would be better to start afresh and make Aden and East Africa the hub of future planning in the Middle East. But if it is decided that Libya still has an important part to play, then there is a case for investing a little more in the country's good will. At present the British grant comes to £2,750,000 a year (roughly two-fifths of the Libyan budget) and another £1 million is given for development schemes. There is no exact method of putting a value on a stretch of desert; yet, if Britain seriously intends to base a defence position there, willing Libyan acquiescence will be needed, as well as desert land, to make it secure and effective.

Next Week's Axe

MR MACMILLAN is expected to announce the first round of his expenditure cuts next week—not the full £100 million, but probably more than half of it. It has been widely reported that defence's share of the economies will come partly from de-stocking of strategic raw materials and partly from the postponement of weapon deliveries to the services this year (the latter step being accompanied by an export drive in armaments). Both of these measures would be of a once-for-all kind; it is impossible to de-stock and postpone weapon deliveries for ever. The presumption is therefore that they would merely be curtain-raisers to a much bigger long-term cut in military expenditure, to be decided upon, although probably not immediately put into effect, in the autumn; the dangerous turn which the Government's "new thinking" on the defence programme could be taking is discussed in the leading article of this issue.

In the field of civil expenditure, however, the Government's policy decisions, if it is to make any, should presumably be revealed next week. Broadly speaking, Mr Macmillan has two choices. If he is wise, and if he can forget the Government's current obsession that the way to check demand is to freeze prices, he will concentrate his cuts upon consumer subsidies: dearer school meals, a boarding charge for hospital in-patients, and an abolition of the milk subsidy spring immediately to mind. But if he is timid, he will presumably merely hunt round the ministries for various departmental services (especially advisory services and the like) that he thinks can be pruned or abandoned without being missed. As the Treasury is still not fully equipped with schedules of the comparative costs incurred by different departments in running the same sort of service—as it has still not got a genuine "cost investigation unit" of the sort that, Sir David Eccles revealed last week, the Ministry of Education is now wisely to set up for schools—these perennial games of slap and tickle and blind man's buff must be regarded with weary suspicion. With the best will in the world, but also with the present machinery, it will be fatally easy for Mr Macmillan merely to scratch some scattered halfpenny-worths of tar off several fragile—but not always unnecessary—ships.

Re-enter Sir Frank

IN a fortnight's time, unless there is a complete reversal of political form, Sir Frank Soskice will come back to the House of Commons as MP for Newport. His return to Labour's front bench will be timely, for now that the first flush of the Gaitskell era is beginning to wear off, some potentially dangerous weaknesses are beginning to appear. The two most serious gaps are the lack of a front rank spokesman on foreign affairs, and a shortage of skilled, experienced Parliamentarians. The first gap is not new. Mr Gaitskell plans to fill it himself on big occasions, but Labour still needs to be better served in the day-to-day handling of foreign problems. Mr Gaitskell must realise by now that he will have to look elsewhere than at Mr

Robens for his next Foreign Secretary. Sir Frank Soskice could be his answer; it would be useful, despite the hurt this would bring to Mr Robens, if he were gradually to take over the shadow job in preparation for the eventual substantive one.

The lack of skill in parliamentary tactics is the price Labour must pay for slaughtering its greybeards, and particularly for banishing Mr Morrison to the obscurity of the back benches. Mr Gaitskell may well have to pay more attention to this matter himself, at the same time looking around carefully for a potential Leader of the House in the next Labour Government. At the moment there is not one in sight. Otherwise the new team is not shaking down badly. Mr Wilson has just passed a bad week, through consecutive mistakes in too precipitately attacking the oil deal and the premium bonds; but the fact that it is now a matter for comment when Mr Wilson has a bad week is a sign of a maturity not in evidence up to six months ago. Mr George Brown looks a likely Minister of Defence—more so, probably, than Mr Stokes—and even with Sir Frank Soskice reserved for higher things, Labour has a first class potential Attorney General in Sir Lynn Ungood-Thomas. Indeed Sir Lynn might well be considered for some more political office; during the debate on the Restrictive Practices Bill he showed to much greater advantage as a potential President of the Board of Trade than Mr Jay. There remains the problem of fitting in the men of the so-called Left. Mr Gaitskell may be in for some disappointments here—there will probably be ructions if Mr Bevan does not win the treasurership—but his policy of giving young men their heads is already paying off sufficiently for him to risk pushing it even further.

Marshal Tito's Bombshell

THE Russians are collecting one of the most spectacular rewards of their post-Stalinist policy. Last year's journey to Canossa and the open admission of Stalin's wrongs towards Yugoslavia are now bearing fruit; how precious it is may be gathered from the two statements published at the close of Marshal Tito's triumphant tour of Russia. Yugoslavia is getting very close to the Soviet foreign-affairs platform, as is illustrated strikingly by the new joint stand on the German question. The Yugoslavs have had no relations with East German régime, presumably because they have not up to now considered it as sovereign. But they now suddenly endorse the Soviet view that since "two sovereign states have been formed on the territory of postwar Germany," those two must negotiate between themselves. This is explicit recognition of the German Democratic Republic. Should the Yugoslavs follow it with the logical diplomatic sequel, they will place Bonn in a dilemma, since Bonn has specifically threatened to break diplomatic relations with any country (other than the Soviet Union) entertaining relations with East Berlin. A Yugoslav initiative might furnish the precedent which some other uncommitted states might be happy to follow.

Both declarations issued in Moscow insist on the part which co-operation between the two states and the two communist parties can play in the preservation of peace and the growth of the international movement. Tito can be

extremely useful as a link between communists and socialists on the road to popular fronts. He is now called back to the communist fold on terms inconceivable at the time when he was kicked out. The declaration emphasises the advantage of many ways to socialism and condemns any attempts to impose the path to be followed. Here, even more than in the western handling of Tito on his return, lies the key to future relations between Yugoslavia and the Soviet block. When will this new principle be applied to the whole of Eastern Europe? The looser the links tying the satellites to Moscow, the nearer will Yugoslavia gravitate to the Soviet nucleus.

Big Friend for Egypt

IS it impossible, among ex-colonial audiences, to overdo the anti-colonial blarney? Mr Shepilov, on his first excursion abroad as the Soviet Foreign Minister, touched the borderline this week in Cairo, but he also touched Egyptian heart-strings. Russia, he claimed, was an "unselfish" ally. Do Egyptians seriously believe, after their centuries of subjection at the hands of powers of varying sizes, that any great power is unselfish? Yet Mr Shepilov's audiences cheered. They were induced to cheer by the skilful use of a classic propaganda device by which he put his assertion in the midst of a stream of references to western base-bagging and western exploitation that they already accept as true. In such company it, too, passed for a truth. But they cheered also because their minds are set on "equality" and because they feel more "equal" with Russians still bearing the marks of struggle with hunger and illiteracy than with sleek westerners whose approach is always a descent from the height of a teacher, lender, or donor. For the moment, any tyro from the eastern block can with mere palaver outbid not only western words, but western acts.

Some hold that the departing British should have tried to play the title role in an "Evacuation Week" in which they, after all, are doing the evacuating. The theory is that had they at the last dropped their practice of sidling out in unobtrusive groups and had they, instead, staged a parade symbolic of departure, it would have been their performance, rather than Russian promises, that held public attention. But to argue thus is to miss the point that what the Egyptians are celebrating is not an exodus but its counterpart, their own genesis as a *Herrenvolk*, a people free at last from humiliation. Russia, in the person of Mr Shepilov, fêtes this emergence to their heart's content, establishing an attraction that will last until the day when, by some "selfish" stroke of Soviet policy, the facts are brought home and the bubble of complacency pricked.

An Atomic Entente

THE atomic agreement signed between Britain and the United States is a landmark on the long road back from the MacMahon Act. It is the first occasion since the early days of the war on which the United States has offered to give any military data of any kind to this country. The

agreement stops far short of lifting the Atlantic curtain on atomic weapons, but it does provide for a full exchange of data on power reactors for military use. The practical advantages to Britain are considerable. While Harwell does not share the American enthusiasm for atomic-powered aircraft, the Admiralty has recently commissioned a design study for an atomic submarine, and the three companies involved in this project are working on it now at Harwell. If the agreement means that they will have access to data on the American atomic submarines *Nautilus* and *Sea Wolf*, it may save them as much as two years' work and lead to the launching of a British-built submarine under atomic power within three years; it took six to design and develop the *Nautilus*.

The second part of the agreement covers the exchange of atomic materials and is generally believed to do more than just make it possible for Britain to buy some of the immense quantities of enriched fuel that the United States has on offer. Big power-producing reactors are being rushed up in this country to meet military requirements and these, together with the civil power stations shortly to be built, will severely strain the capacity of the Atomic Energy Authority to handle the spent fuel as it comes out of the reactors. Under the agreement it would be possible to set up a two-way trade across the Atlantic, the United States taking the used elements, and the fresh plutonium they contained, in exchange for fresh reactor fuel sent to Britain. To work out the details of such a plan would call for the utmost good will on both sides, but it would save the Atomic Energy Authority in this country great capital expenditure on extra chemical treatment plant; plant of the same kind is standing under-employed in the United States.

Mr Nutting and M. Faure

REPRESENTATIVES of the Six meet in Brussels on Tuesday to begin the drafting of treaties establishing Euratom and the Common Market. They will hardly be encouraged in their work by the latest statement of British

Emergency Issues Reprinted for Binding

The size of the pages in five of the issues of *The Economist* produced during the recent printing dispute was overlarge. These issues (dated March 3, 10, 17, 24 and 31) have now been reprinted in normal size and are available for those who regularly bind copies of the paper. The cost of a set of the five issues is 2s. 6d. including postage. It would be appreciated if remittances could be sent with orders, which should be addressed to:

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views given by Mr Nutting to M. Maurice Faure, his French opposite number, last weekend. One of the minor mysteries surrounding the British position on these questions is the curious ineptness which, throughout, has characterised the Government's dealing with the Six. The latest episode continues the unfortunate April-shower pattern of extinguishing faint rays of hope as soon as they appear, then seeking to counteract the effect with new hopes, only to repeat the cold treatment again.

Why M. Faure had to come to London to be told that the British would not join Euratom—if that was really the reason—is not clear. The European countries had no false hopes on that score, although there has been increasing confidence that once Euratom was established the British Government would find means of associating this country with it. The British preference for the OEEC plan was well known, as was the formal position, taken by Britain and the Six alike, that there is nothing inherently inconsistent in the two plans and that Euratom can be fitted into the larger, looser OEEC scheme. What then is the explanation? A last minute French bid for support? Or simply a rather heavy-handed British way of wishing the Six godspeed by showing interest without commitment?

Regardless of motive, the effect has been to underline once again the rigidity of the British position and the unsatisfactory nature of the explanations given for that position. The three arguments most often heard in support of the Government's policy are that participation in Euratom would interfere with the British military programme, that it would lessen the chances of a satisfactory arrangement with the Americans, and that it would not be in Britain's commercial interest. None of these reasons stands up to scrutiny. The Six have never assumed that full British participation could be obtained in every respect; what they have hoped for was some form of qualified participation, and to achieve that they were ready to make concessions. There is reason to suppose that a way could have been found to enable the British to continue with the military aspects of their atomic programme without interference or supervision by Euratom. The argument that the Americans would be harder to deal with if Britain found a means of participating in Euratom is even more difficult to swallow, given the obvious American support for Euratom and thinly disguised impatience with the British attitude. This leaves the commercial argument. Here the calculation that Britain stands to gain from holding aloof is hard to understand except in the shortest of short runs. Capital, inventive genius, technological skill, and well-trained engineers are the ingredients of a successful atomic energy programme. How long is it sensible to suppose that a substantial British lead can be maintained over the combined efforts of Germany, France, Italy and the Low Countries?

Steelworkers Break the Peace

THE British steel industry has been free from industrial stoppages for many years. That record has now been broken in a way which has been regarded as sufficiently serious to attract the special attention of the Cabinet. A large output of steel has already been lost through the

overtime ban which maintenance men in the industry have been operating since April 11th. The cause of the dispute is the refusal of leaders of the maintenance men to accept the wage increase of 10s. a week which has been agreed by other steelworkers. They say they want to preserve their differentials; but this is a new departure, for they have hitherto been content to receive the same flat increase as the other steel workers. The overtime ban has developed into a strike, affecting 3,000 workers, at six steel works where the men say that members of the staff have been used to carry out maintenance work.

The decision to recommend the ban was never officially conveyed to the employers' organisations, and the unions have refused to refer the matter to arbitration. The student of industrial affairs may therefore have no difficulty in guessing the names of two of the unions principally concerned. One is the Electrical Trades Union, with a communist leadership and a policy of recognising all strikes. Another is the Amalgamated Engineering Union, where the communists have not yet gained control, but where their influence is strong. The Iron and Steel Trades Confederation and the National Union of Blast Furnacemen, for their part, are naturally out of sympathy with a strike which is costing their members substantial earnings and which is based on a claim that their wages should be kept at a fixed differential below those of the maintenance men. Many highly paid production workers resent the implication that because they have not served an apprenticeship they are therefore less skilled.

The ban is patchy in its application, and patchy also in its effect. The continuous strip mills have lost most output, particularly as their maintenance work is largely done at the weekend; but other firms, such as the United Steel Companies, are little affected as yet. The loss of output happens to have come at a time when steel stocks in consumers' hands are high; it may not therefore be quite as serious for the country as it would have been a short time ago. But those who organised this stoppage may not have been aware of that.

The New Oxford College

THE new college to be established at Oxford will not, as was reported in some newspapers last week-end, cater only for scientists. In this stronghold of the arts, where it is so often argued that the need for more scientists must not be allowed to upset the existing balance of the faculties, it would be cynical indeed if the other colleges were to preserve their character only by deliberately creating an institution in which there was no balance at all. The new college is, however, expected to house a rather high proportion of scientists and technologists—nearly half of its 300 to 400 students—against an average of only about a third for the university as a whole.

It is quite right that a new institution should take account of the sort of graduates that the nation most needs, and that, as the university population (together with the proportion of scientists in it) rises, the larger numbers should be accommodated in a new institution rather than by crowding the older colleges. This is necessary not only to preserve the special character of Oxford, but also to get

the money. The University Grants Committee can distribute its largesse, on which the new foundation would at first depend, only to the university and not to the autonomous colleges; and industry is more likely to be generous to an institution that is particularly interested in scientists. But if these excellent arguments had not existed, one has an unworthy suspicion that they might have been conveniently invented. For the creation of this new institution may mean that the other colleges can now sit back and do nothing, with a sigh of relief that they need not after all take in an inconvenient number of new science students—and make room for an even more inconvenient number of science fellows at their high tables.

The plan has incurred some criticism because of one of its subsidiary effects. Although the undergraduates of St Catherine's Society are to be hived off into the new foundation, it is proposed that that society should carry on as a postgraduate institution. It has been argued that it is a mistake to remove the middle—and steady—age group between dons and undergraduates from the confines of ordinary college life. This argument may be unduly conservative. As Mr Max Beloff has pointed out in a letter to the *Manchester Guardian*, postgraduate students derive much benefit from each other's society, and the two existing postgraduate colleges, Nuffield and St Antony's (the former has a few undergraduates too), cannot meet the heavy demand for places. Cambridge has as yet nothing of the kind, but the same sort of provision is being made in the United States where the privately endowed universities are increasingly engaged in postgraduate studies.

Israel Drops a Pilot

WEARING a puzzled look, the Israel parliament has accepted the unexplained resignation of Mr Sharett from the Foreign Secretaryship in Mr Ben-Gurion's cabinet and his replacement by another member of the Labour (*Mapai*) party, Mrs Golda Myerson. Mr Sharett says the change had "nothing to do with any specific policy matter, event, or incident"; Mr Ben-Gurion, while admitting differences of opinion, says that the two men had always had confidence in one another. What is the explanation?

For full understanding of a complicated personal crisis, it will be necessary to wait until the dust has settled. Meantime, though sealed lips always suggest a defence issue, and though the Liberals who are in the cabinet call for its resignation on grounds that a reshuffle so inexplicable must spell a change of foreign policy, it would be an over-simplification to interpret the scene as one between a champion of appeasement—Mr Sharett—and a champion of risks and sabre-rattling—Mr Ben-Gurion—and so to deduce that war is more likely. It was Mr Sharett who was premier at the time of one of Israel's most momentous forays against Egypt; more lately, it was Mr Ben-Gurion who promised co-operation to Mr Hammarskjöld.

In the months since Egypt's Czech arms deal increased the danger of an explosion, the two men have probably been as close as ever before to agreement about problems on and beyond the frontier. It is likely that their main difference is domestic. Temperamentally, two men could scarcely be more different. Mr Ben-Gurion takes decisions by intuition, Mr Sharett on a basis of hard work and

attention to detail. Mr Ben-Gurion puts faith in manna, and gets it with an "I told you so"; Mr Sharett prefers to put his faith in dollar aid. For forty years, the struggle towards statehood has caused both men to relegate the division between them to second place. A turning-point seems to have come during the lull when Mr Ben-Gurion retired from politics and into the Negev. As so often happens, the easing of a strain seems to have disclosed its intensity. While Mr Ben-Gurion was vegetating, the Sharett technique, so different from his own, kept the cabinet going; perhaps this was nettling. But during the same period, *Mapai* told Mr Sharett in no uncertain terms that he would not be premier after the next elections; this must have been nettling for him, too. Mr Sharett now discloses that when Mr Ben-Gurion resumed the premiership, he "believed that co-operation would not be successful this time." He was right. Mr Ben-Gurion is undoubtedly better than he at explaining policy to the public, especially to a rising tide of young people and new immigrants who question every manifestation of moderation by the old gang. Perhaps this was the issue on which they parted company, but the final scene had had a long, slow build-up.

Mao Calls the Boffins Home

THE Chinese leaders have made some interesting admissions about the acute shortage of scientists and skilled technicians which is threatening their development plans. Kuo Mo-jo, the president of the Chinese Academy of Sciences, has announced that a 12-year plan of scientific expansion is being formulated this month, covering a wide range of subjects from atomic energy to automation. (Similar plans for philosophy and the social sciences have already been drafted.) Millions of scientists and technicians would be needed, he said, and the available force was "far short" of what was required.

One reason for this is the failure of the communists, despite strenuous efforts, to attract home the many distinguished Chinese who prefer to live in exile rather than face the new regime. According to Kuo Mo-jo's figures nearly 10,000 scientists are working or studying abroad in non-communist countries, and only a thousand have gone home in the six years since the communists took over control. He pleaded with the rest that "it is time for you to come back . . . to the warmth of the motherland."

Signs have appeared of a realisation among the Chinese leaders that, if the call is to be answered, they must relax the rigid controls they formerly imposed on intellectuals. Appeals for more freedom of discussion and "independent thinking" have now been followed by a declaration from Lu Ting-yi, the head of the Central Committee's propaganda department, which marks a radical departure from orthodox communist thinking. Inaugurating the slogan "Let flowers of all seasons blossom together and let diverse schools of thought contend," Lu Ting-yi went on to describe as a fallacy the idea that development in the natural sciences is governed by the class structure of society. Chinese intellectuals are no longer obliged to regard the work of western scientists as "capitalist," and therefore tainted, or to assume the superiority of theories evolved in socialist countries.

Not even in Russia has the ghost of Lysenko been quite so bluntly exorcised. The motive is plain—to encourage Chinese scientists to look to the west for knowledge as well as to Russia, and to persuade the exiles that they can safely bring back to China the fruits of the work they have done abroad. Stalinist dogmas are being adapted to the hard facts.

Tensions in Holland

THE disclosure of personal differences within the Dutch royal family has drawn attention to the difficulties of cabinet-making to a degree that is, in Holland, unusual. In fact, the situation that has been disclosed does not amount to a constitutional crisis; it may contain the seeds of such a crisis in the future, but even that—given the serious sense of duty and high public spirit of the persons involved—may be avoided. Queen Juliana, who is no automatic monarch but a strong and troubled personality, has for long been relying on the opinions of a faith healer, Miss Hofmans, to a degree that her natural and constitutional advisers regret. Her sustained grief at the partial blindness of her youngest daughter, and the evident (not necessarily total) estrangement between the Queen and Prince Bernhard, contribute to a state of tension in a respected family.

Most of these facts have been known for some time to a fair number of people in the Netherlands, though the Dutch press has exercised the same kind of self-restraint as British editors observed for a time over the personal affairs of Edward VIII. As then, a sudden disclosure has created a sudden air of crisis, but the parallel ends there. It is not clear who gave the whole story to the German weekly *Der Spiegel*, or why, but the motive is not likely to have been to precipitate a major crisis in Dutch affairs; no constitutional conflict exists.

Mr Drees, the outgoing Prime Minister who has been entrusted with the task of cabinet-forming, has a difficult enough task (by the sedate standards of Dutch politics) without this complication, and it is natural and right that the political leaders should be doing their best, as they are, to insulate the immediate problem of government from the tensions of the monarchy. An apparently trifling shift of party strengths in the elections of a fortnight ago conceals a real swing of opinion not against the Catholic religion but against political Catholicism, which overplayed its electoral hand and produced a reaction in some sensitive districts. Mr Drees, a socialist of the moderate Dutch kind, is finding the balance of the next coalition a more difficult problem than normally; but even that, in a country where moderation is carried to extremes, should not prove insoluble.

Horrid Hoardings

IT is good to have a Minister of Housing who sometimes takes his æsthetic functions seriously. Mr Sandys this week reminded local authorities of their powers, under the 1947 Planning Act, to control outdoor advertisements. Under

the regulations issued in 1951 there are two different procedures: ordinarily advertisements can remain unless the local authority specifically objects to them; but the authority can also, with the Minister's approval, designate areas of "special control" where no outdoor advertising at all is allowed except by its special consent. The advertiser has the right to appeal against its decision to the Minister.

Mr Sandys finds that many authorities have used these powers too sparingly. Others, it should be added, have used them too officiously. One reason for this, perhaps, is that the charming country town or rural beauty spot is often in the area of a conservative council which may be too tender with local business interests; whereas smoke-blackened industrial towns, which would look no worse—if not rather better—with a few more neon signs, are more likely to be under the control of socialist councillors whose pleasure is to say no to private enterprise. But, with so many other media available to advertisers, and in view of the advertisers' right of appeal to the Minister, disuse of the powers is probably a greater problem than occasional abuse. In particular, there seem to be too few areas of special control. The Minister believes that one reason for this may be that the power of special control is rather too drastic. He is going to discuss with local authorities and advertisers whether the Act should be amended in any way, and later will issue some definite guidance.

Signor Togliatti Joins In

MR KHRUSHCHEV'S secret speech was loaded with dynamite. The delay in its explosion in the western communist world has not deprived it of its force. After the Anglo-Saxon strictures and confessions, the big Communist battalions of France and Italy could no longer avoid the blast by hiding their heads in the sand. Signor Togliatti was first to break the silence in a lengthy interview which may mark a date in the history of world communism as the end of Stalinist ventriloquism and the beginning of open discussion. He did not limit his criticism of the Russians to the manner in which they have handled the document, releasing it first to the "bourgeois press"; he also assailed the substance of Khrushchev's argument. It is not enough, in his opinion, to explain everything away by reference to one giant scapegoat; a Marxist explanation must be provided to show how "such errors could have crept into the evolution of Socialist society." Nor can Russia's present rulers disclaim their complicity by arguing that they had no choice in the regime of terror. They must shoulder their share of responsibility. From all these shocking "revelations" about Stalinism, Signor Togliatti firmly draws the lesson that "the Soviet model is no longer compulsory for the Communist parties outside the USSR."

No doubt these criticisms are valid. But if Mr Khrushchev and the rest cannot really plead fear as a sufficient excuse, Signor Togliatti himself is certainly not entitled to plead ignorance. This veteran leader played too important a role in the makings of Stalinism. The fact is that there are no men with clean hands throughout the Communist leadership, not only in Russia. Stalinism with its rigid structure and its witchhunts is being buried by its own favourite sons;

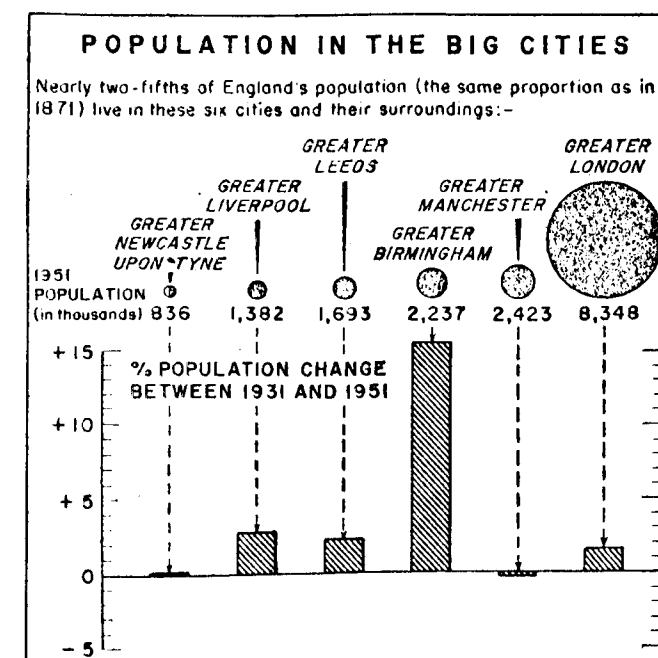
and the burial is the beginning of new discussions and, maybe, of new men.

In the immediate future the Italian Communist party may pay quite a heavy price for the fresh wind. Only a narrow frontier separates it from the leftist Socialist party of Signor Nenni and many disgruntled members, shocked by the revelations, will be tempted to cross over. The leaders are now hotly debating how to use their newly gained independence to save the day. Some are apparently in panic, while others think that the shock will in the long run prove salutary.

Rearguard Action by M. Thorez

FRENCH Communists are not confined to *L'Humanité* exclusively for their newspaper reading. The publication of the Khrushchev version by *Le Monde* provoked such a stir in the party cells that the leaders were forced to face the music. A statement issued this week by the Political Bureau blames the Russians for withholding the official text, and demands a "Marxist explanation." Where Signor Togliatti, however, speaks of stagnation and bureaucracy, the French insist more on Stalin's achievements as Lenin's successor and "in the formation of all Communist parties." Thus M. Thorez, the French secretary-general, even while attacking him, pays a posthumous compliment to his benefactor. For months now it has been noticeable that while Italian Communists were swimming with the tide, the French leadership was desperately clinging to any Stalinist hold which still offered.

In this rearguard action it may temporarily succeed. The party congress is to be held in less than a month; there is not much time for spontaneous discontent to concentrate. Everything is being done to stifle discussion. Demands that the anathemas pronounced on "deviationists" should be reviewed, that the French party should look at its own "cult of the individual," that leading bodies should be elected by secret ballot, have been curtly dismissed. Plans are laid for re-electing the followers of M. Thorez into all



key posts. It is easier, however, to score a Pyrrhic victory than to control permanently the resentment accumulated by thousands of devoted party workers who for years had swallowed the slogans now admitted as lies. A wide gap separates the Communists and socialists in France; the leaders need not fear mass defections, but the pressures released below will, sooner or later, find their way to the top.

How long can Moscow remain silent? It could ignore the publication of Mr Khrushchev's secret speech by the "bourgeois press," its dissemination through the Voice of America, and even the stirring appeals of Anglo-Saxon *Daily Workers*. It cannot remain deaf to the voices now coming from Paris and Rome. Should the Kremlin accept the challenge, however, it will reveal the list of Stalin's crimes to the broad Russian public much earlier than was intended. There are difficulties in destalinisation by instalments. After the dissolution of the Cominform communist parties were supposed to consult on all important matters. In this case something must have gone wrong with the wires and the situation has got out of control. The Russians themselves sowed the seed, urging the foreign parties at their last congress to speak with their own voices. They have now to gather an unexpectedly early harvest. The Cominform is dead; the national communist movements are beginning to show signs of life of their own.

Plans for Premium Bonds

THIS week's debate in the Commons on the premium bond scheme was a disappointing affair. Labour found itself committed to opposing the bonds against its better political judgment; Mr Wilson was an embarrassed man and therefore, as so often when in that position, a wild one. The church and chapel spokesmen, who had a case, made a hash of it. They are a sad shadow of their predecessors, who so brilliantly debated the Prayer Book thirty years ago; when members of this House talk religion their tone is so often that of a dull parish magazine and never redolent of the quality of, say, a university sermon.

Mr Macmillan, for his part, lacked the full courage of his new convictions. Of the impediments that he has deliberately accepted to the scheme's chances of success, there is probably a good social case for keeping the unit price of each bond as high as £1 and for setting a maximum limit of £500 (it was once going to be £250) on individual holdings; there may also be an economic case for saying that the bonds must be held for six months before they will qualify for drawing—although some members wanted this cut to three months, so that the first draw could take place before the next Budget. But the other encouragements to sales resistance in the scheme—if the principle of the lottery be accepted—seem as unnecessary as they may be unprofitable. Mr Macmillan has permitted himself one easement: to hold draws monthly instead of quarterly will help to sustain interest, especially in the vital first year or two. But the top prize remains a chance of winning only £1,000 for £1, which may not prove much counter to the pools' offer of £75,000 for 6d.; at the other end of the scale, the man who holds £500 regularly in these bonds should have an even chance of getting some sort of prize (most probably of £25) about once every two years, but this sort of investor, with this sort of luck, should be capable

of working out that he would get a higher return from more orthodox securities. This, however, is an essay in logic; and the bonds are an appeal to excitement.

Inflow from Ireland

Our correspondent in Dublin writes: The result of the partial Census of Population taken in April this year has given a severe shock to Irish opinion. It shows that in the five years since 1951, the population has fallen from 2,961,000 to 2,895,000. This is the lowest figure ever recorded for the area comprised in the Republic. The loss in these five years also represents by far the heaviest annual rate of decline since the 1880s. The impact of this fall is all the greater because it comes after a long period of comparative stability. Between 1926 and 1946 the population fell by only 15,000, which contrasted favourably with any period since the decline in population began in the 1840s. The census of 1951 showed a small increase, the first recorded since the census of 1841. There appeared therefore to be some ground for hope that numbers had at last become stabilised. It did not appear that emigration was declining; indeed it was increasing in the later forties and the Commission on Emigration carefully abstained from holding out false hopes. But it was thought that an expanding natural increase would counter-balance its effects. These hopes have been spectacularly belied.

Differences with America

Since we addressed our readers last week on the subject of our pending differences with America, two decisions have been taken, both of first-rate importance. Our Government have determined not to retaliate for the dismissal of Mr Crampton by visiting their natural displeasure on the unoffending American Minister at this Court, Mr Dallas; and Mr Buchanan, the late Envoy, has been selected by the Convention at Cincinnati as the Democratic, and therefore probably the successful, candidate for the next Presidency. . . . When to these considerations were added the further ones, that the conduct of the Government at Washington was condemned by many of the best and soberest men of their own country both in the Senate and in private life; that that Government had only a short remaining tenure of office, and might probably be succeeded by more moderate, more decorous, and more just men . . . that we cannot expect from the American people the amenities or decorums of language and proceeding which prevail in the intercourse of more settled States; and that this sending away of objectionable or unacceptable foreign ministers appears to have been by no means an uncommon practice among the Americans, and to have been usually passed over by other States as a breach of manners pardonable enough, perhaps, in rough Republicans—and finally, when it was noticed that an opening seemed to be offered, by the published instructions to Mr Dallas, for an accommodation of the Central American controversy,—we see not only that there may have been sufficient grounds for the pacific decision at which our Government has arrived, but that in all likelihood that decision was a righteous and a wise one. The result will show whether our forbearance will be appreciated as it deserves, or misconstrued as perhaps it may be.

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June 21, 1956

It is notable, however, that the expansion of the rate of natural increase has continued; it is now greater than at any time since the 1880s. (Compared with most other countries with its age structure, however, Ireland still breeds very few children—not because the average family is unduly small, but because so many Irishmen remain unmarried.) The reason for the latest loss of population must therefore lie in increased emigration; and this, of course, is a direct function of the quite exceptional opportunities for employment in Britain in the last five years.

South China Sea Bubble

FIVE governments have now claimed one or other of two disputed groups of islands in the South China Sea. An enterprising Filipino recently announced that the Nansha islets, which lie between the southernmost tip of Vietnam and the Philippines, and are scattered in the area of the eight-foot high Itu Aba, were his private property. He argues, surprisingly, that he surveyed them first, though Itu Aba itself has been marked on maps for some time; but the Filipino government has decided to support his claim, if necessary before the United Nations. The Vietnam

government has reasserted its own claim both to the Nanshas and to the Paracel islands further north, on the ground that they were formerly French and automatically became Vietnamese when France handed over power. The French agree that they handed over the Paracels, but insist that the transfer did not



include Spratley—an outpost of the Nanshas—which they say is still theirs. The Chinese Communists and Nationalists, for once speaking in unison, say that Chinese explorers and cartographers got to the islands long before anyone else; but they are naturally less agreed as to whether they are Peking's or Taipei's property.

The Paracels, equidistant from Vietnam and China's Hainan island, would advance Peking's power uncomfortably far south if they fell into its hands. If present occupation is the test, the Vietnamese claim to have a garrison in the Paracels, and the Chinese Nationalists are also said to have sent a force there. Both have been outdone in the Nanshas by the private enterprise of another Filipino, who has already issued his own set of stamps in the name of the "Kingdom of Humanity." It seems a pity that so many governments, all of which have more urgent matters to think about, should waste their energies on island-hunting. Asia's young nationalists may well feel the old Kiplingesque urge to plant their flags beyond their shores; but when too many countries start chasing too few islands, even islands as insignificant as these, the results may be explosive.

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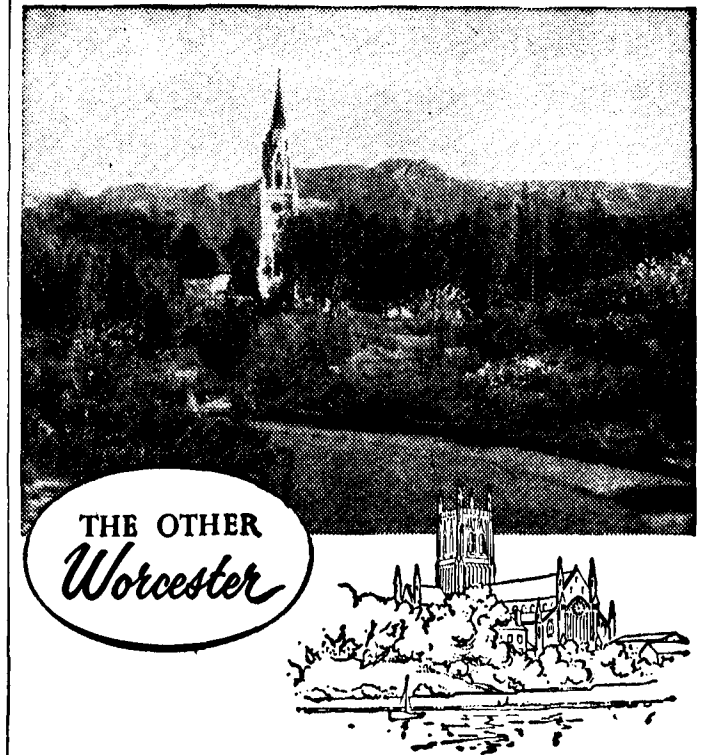
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CRC 14

Letters to the Editor

Britain's Trade Defences

SIR—The article in your issue of June 2nd is a diaphanously disguised plea for free trade.

You put up, as wobbly skittles, the imaginary case of those who take a contrary view and then proceed to knock it down. Those of us who support a different policy do not wish to restrict special favours to a "sterling Commonwealth club," as he suggests. We should wish to see the whole of the Empire and Commonwealth, comprising both sterling and dollar territories, included in a comprehensive preferential area. It has never been our belief that Commonwealth trade should even attempt to be exclusive. But such a preferential area should be maintained in order to provide a basis of stability on which its members could rely during good times and ill.

You suggest that those who take this view are saying "that since the trade of the sterling area . . . is especially vulnerable to American recession, we should during an American recession rely more exclusively upon it." What we in fact say is that by a deliberate policy we should build up the trade of the Commonwealth area, so as to make it less vulnerable to American recession when it comes, less dependent upon the United States even in good times, and thus less precariously poised upon a too small balance of gold and dollar reserves.

We do not invite protection merely for declining industries, though there is much to be said for doing so in the case of an industry which has a good chance of recovery. We desire protection for all industries which need help both here and in the Commonwealth. Protection in the past has not only helped declining industries to recover and prosperous industries to keep their place, but has been of particular value in helping to establish young industries—such for example in their earlier days as the chemical, glass, motor car and rayon industries, to mention only a few. Furthermore, when competing with the weight of dollar exports (often subsidised) from the United States on the one hand and with goods made by cheap labour in worse conditions on the other hand, it is clearly necessary for our Governments to look after their own people, both at home and abroad.

The fallacy behind your ideas seems to be the old free trade one, which, to put it crudely, is that all countries are alike, or, if they are not, that they should be made or considered to be so.—Yours faithfully,

M. PETHERICK,
Chairman

Empire Industries Association
and British Empire League, S.W.1

The Copyright Bill

SIR—The Note in your issue of June 9th contains certain passages which as they stand might possibly give rise to misunderstanding. They are as follows:

(1) *Infringement*.—The implication is that Clause 5 (5) (not 5 (2)) introduces a new principle in providing that a person who lets premises for a performance of a work may infringe copyright. This is not so; under section 2 (3) of the 1911 Act a person who lets a theatre or other place of entertainment for the public performance of a copyright work may in certain circumstances commit a breach of copyright. In fact, Clause 5 (5) does little more than clarify the wording of the 1911 Act.

(2) *Fair Dealing*.—The reason for the provision about "ephemeral" recording is not that performing and recording rights may be in different hands but that such a provision is essential for the convenience of artistes employed to give performances for broadcasting and for the efficient conduct of the broadcasting services; as often as not the artiste will not be available at the time when the broadcast is to be made.

(3) *Licence of Right to Record*.—"Rights" in the second sentence of this paragraph seems to be a misprint for "rates."

(4) *Component Rights*.—The explanation of Clause 13 (film copyright) is not entirely accurate. The fact that a copyright exists in a film version of a novel, for example, does not mean that the owner of the copyright in the film can prevent another, different, film of that novel from being made with the consent of the owner of the copyright of the novel. The comment, in the same paragraph, about the Harry Lime Theme seems to overlook the fact that, even when the copyright in the film has expired, a musical work forming part of this film but enjoying its own separate copyright can be freely played only as part of the film.

(5) *"Copyright in the Copy Book"*.—"Clause 39," not Clause 16, is the Clause dealing with the educational use of copyright material.—Yours faithfully,
Board of Trade M. L. G. BALFOUR

Letters from Prison

SIR—Your references on page 980 of your issue of June 9th to letters from prisoners shows a lack of "inside" knowledge. I am not at the same disadvantage. Every prisoner knows from bitter experience that every official (with rare exceptions) from the Secretary of State downwards is in fact engaged in repression. I know the atmosphere of a prison, both the closed and open

variety. I have spoken to a man who has presented twenty-six petitions to the Secretary of State during three years of imprisonment, and in them made serious allegations against police officers, including charges that they "railroaded" him; and everyone of these was answered by means of the stereotype form "sees no reason."

The whole system whereby 7,000 odd petitions by prisoners disappear in a vast paper chase into the Home Office is scandalous. As the convict says, "who cares?"

Make no mistake, prison officers are as a rule reactionary domineering bullies. Those who are not shine like lamps in the dark world on the other side of prison walls. They are not harassed and certainly not overworked men. They are underpaid, I think, and yet many whom I saw manage to run motor cars—Yours faithfully,
Nottingham

ROBERT S. SMITH

Students on the Red Carpet

SIR—You rightly point out the need for more hostel accommodation for overseas students, and the need for them to make more intimate contact with our "cold, grey people." But you do not link these two objectives. When will the authorities realise that to crowd students from Nigeria or India together in special hostels is to aggravate their sense of separation from English people and English life? Rockefeller built hostels in New York, Chicago and Berkeley, but he insisted that half of the student residents should be American and half from overseas. Cannot this admirable principle be extended to whatever hostels are in blueprint in this country? The African who lives for three years with other Africans in London has missed an opportunity. Such hostels would also overcome the traditional English student's shyness in befriending his colleagues from overseas.—Yours faithfully,
London, W.2

R. G. WILSON

Pyrrhic Banking Victory?

SIR—The article on page 896 of the June 2nd issue of your magazine pays well-merited tribute to Mr Allan Sproul, but, in my opinion, it is offensively and unnecessarily derogatory to Mr Alfred Hayes. I feel that your "New York correspondent" is highly unjustified in referring to Mr Hayes as "a mild and inexperienced man" who will "do the bidding" of the Federal Reserve Board, Washington, D.C.

Mr Alfred Hayes, a man of unquestioned intellectual integrity and character, has been a well-respected member of our international banking fraternity and a deep, thorough student of the various aspects of economics and finance. I know that many others here share my own indignation at this unwarranted and unseemly article.—Yours faithfully,

ANDREW L. GOMORY
Manufacturers Trust Company,
New York

Books & Publications

Quotes—but Votes?

WHAT I THINK.

By Adlai E. Stevenson.
Hart-Davis. 228 pages. 18s.

NOTHING surely is more unreadable than yesterday's political speeches. Those delivered by the politicians of other countries would seem to enter a special category of unreadability. "Selected speeches of Herr Finanzrat Stompenhauer"—"pages culled from the addresses of M. Hercule Dubonnet"—who picks them up eagerly or feels compelled to read further? And, it must be admitted, there is often a particularly resistant quality in American political speech-making. The magic of Lincoln's oratory has created—as Gibbon did for English writing—a tradition of forced grandiloquence, of July the Fourth prose, totally unlit by its inspirer's sagacity, humanity and wit. A collection of political speeches by an American politician has, therefore, nine chances out of ten of being unreadable—unless the politician happens to be Mr Adlai Stevenson.

His collection of recent speeches triumphantly represents the tenth chance. He cannot apparently write anything that is not merely possible, but a positive pleasure to read. There is, it is true, a trace of repetition in this volume, since some of the themes were bound, by their very urgency, to recur. But this fact detracts little from the hold each separate essay—for essays they often seem, rather than speeches—maintains on the attention of the reader. Here is politics, other people's politics, in fact, largely American campaign politics. Yet one reads on. Why?

For one thing, Mr Stevenson does not confuse eloquence with pomposity. Much that he says is truly eloquent and moving, but the mood springs from sincerity, not the desire to impress. The reader never seems to catch the author's unspoken thought: "Now I will have a little purple passage"—or if he does, Mr Stevenson is a split-second ahead of him (as, at one point, in the touching address to the students at Princeton, he begins: "There is a wonderful passage in Emerson" and characteristically adds: "and happily I couldn't lay my hands on it"). For an English audience, particularly, Mr Stevenson's mastery of wit, irony and understatement is most satisfying—besides being a useful reminder that intelligence lightened by humour is no English monopoly.

These speeches are not, however, *belles lettres*. They are not carried by style. Beneath the verbal ease, Mr

Stevenson has always done his homework. A sense of historical perspective gives breadth to what he says on foreign relations. His knowledge of American history brings depth to his comments on the local political scene. The Lincolnian echoes are not oratorical flourishes, but expressions of his central thought. Yet history does not overload or exclude contemporary judgment. As early as 1954 Mr Stevenson was warning his countrymen of the switch in Soviet tactics from the military to the economic offensive—a switch which seems to be taking the Administration by surprise in 1956—and in his speech on the American economy delivered in Texas last year at the height of the boom, he pointed to the over-expansion of the automobile industry as a prelude to the dislocation suffered by Detroit today.

But perhaps the abiding interest of the speeches lies in the fact that they explore, with wit, with learning and with eloquence, the great issues of free society and the liberal tradition. The relationship between government and the individual, the possible conflict between state-provided welfare and personal liberty, the role of government and opposition in a system of ordered liberty, the duties and limits of free speech, the reconciliation of belief in truth with the acceptance of empiricism and diversity—on all these issues, Mr Stevenson not only speaks finely in the great western tradition of humanism. He does so with an urgency and fire made necessary by the McCarthy episode. What might be no more than the statement of principle in normal times of free thought and inquiry has become something more moving—a profession of faith.

Wherever, therefore, these speeches are read by freedom-loving men, the image of America will be the brighter and the leadership the nation exercises through sheer power will seem justified by generosity, reason and vision as well.

Great Campaigner

COOTE BAHADUR.

By E. W. Sheppard.
Werner Laurie. 247 pages. 25s.

TO all but a few, Eyre Coote's name means nothing. Yet he belongs to the great company of Clive, Wellington, Nicholson, Colin Campbell, and Havelock. He was prominent in the conquest of Bengal, wrested the supremacy of India from the French, and in the winter of his life saved Madras Province. He has been underrated because the career of Clive, his senior by one year, outshone his in immediately spectacular re-

percussions. His new biographer asserts that Coote should be regarded as third only to Marlborough and Wellington, and he makes out a strong case.

Coote was the first British general to cite by name in his dispatches the non-commissioned officers and privates (Indian and British alike) who distinguished themselves in battle. He was the first to adopt the two-deep line of infantry as a battle formation, the credit for which is usually given to Wellington. He fought many sternly contested battles and did not lose one: a distinction the more remarkable in that he was simultaneously conducting a paper war against an unco-operative and hostile Madras governor in his rear, was normally in straits for men and supplies, and was opposed by the ablest military leader that India ever put in the field against the British—Hyder Ali.

Major Sheppard's book is a scholarly study of a series of eighteenth century Indian campaigns, important in their ultimate results, but obscure and devoid of the glamour shed by romantic episodes or personalities. Its appeal must largely be to the student of military history. Since Major Sheppard dedicates it to the officers and men of the armies of India and Pakistan, whose ancestors Coote so often led to victory, it is a pity that he refers to European troops as "Whites" and to Indians as "Natives," long discarded terms, which keep unhappy associations needlessly alive. There are nine maps (including seven excellent sketch maps of battles) and twelve illustrations, but one regrets that Major Sheppard was unable to include the portrait (of which he gives so attractive a description) of Coote's loyal and charming wife.

Semi-Disqualified Money

THE ECONOMICS OF REPRESSED INFLATION.

By H. K. Charlesworth.
Allen and Unwin. 126 pages. 13s. 6d.

ECONOMISTS discussing inflation during the first decade following the first World War's object lesson had a comparatively simple job. It is true that they dealt already with a double-edged concept; on the one hand the process of expansion of the monetary supply, on the other the consequent fall in the value first of the monetary unit and then—in extreme cases—of the total, inflated supply itself; and analysis, classification, and the working out of causal connections and eddy-effects presented a formidable enough task. But at least they did not have to concern themselves with a money supply not merely depreciated but partially disqualified; with an accumulation of buying power dammed off from its holders' chosen outlets by a more or less leak-proof barrage of physical controls. At the commonsense level much has been written, since the second World War, about this situation; at the level of pure theory, surprisingly little. Mr Charlesworth's essay is indeed the first attempt to treat the problem rigorously at book length.

It is an ingenious, indeed brilliant

treatment. In a situation where, the measuring-rod of money being by definition only partly effective, economic behaviour might seem to be a matter of guesswork, Mr Charlesworth succeeds in disclosing the underlying rationale of behaviour by consumers, owners of factors of production, and entrepreneurs. Damped or distorted, economic motive can still be analysed. There is, nevertheless, a weakness in his book considered as a whole. His analysis provides, inevitably, no means of judging the point at which, or the extent to which, these damping or distorting effects of repressed inflation pass from a marginal and unimportant to a central and governing rôle in any particular field; and he seems unaware that his practical prognostications—such as such effects "will" follow—derive from commonsense judgment, not from logical rigour. Nothing in his argument would permit a statesman to distinguish between the plights of, for instance, Western Germany before the monetary reform and Great Britain at the same period.

In the realm of propensities, habits, psychological discounts and elasticities of demand for income and leisure, saving and consumption, the empty algebra must be given a working value by social observation and insight. Mr Charlesworth's social observation and insight are nowhere near up to his analytical ability. He has, however, made an original and thoroughly genuine contribution towards the understanding—without which social observation and insight too easily flounder—of the mechanics of inflation in the mid-twentieth century style.

Social Vistas

THE SQUIRE AND HIS RELATIONS.

By Esmé Wingfield-Stratford.
Cassell. 436 pages. 42s.
BEFORE VICTORIA.
By Muriel Jaeger.
Chatto and Windus. 222 pages. 18s.

SOCIAL history has never been the special province of academic historians, and these two volumes bear little resemblance either in style or approach to monographs on similar subjects produced inside the universities.

Mr Wingfield-Stratford, who has written a great deal about English politics and national way of life, bypasses in his latest work all the important historical controversies of the last twenty-five years. He is so anxious to dispose of what he considers to be the two main popular myths—that the squire is a cheery but insipid old buck or that he is a sinister and hard-faced tyrant—that he has no time left to face the pressing questions which modern historians have raised. He adds nothing to our understanding of the place of the squire in English history, never says very clearly just what a "squire" is, and stops short, for reasons of space, at one of the most interesting points in the story. His choice of what he admits in his introduction to be an "ambitious task" has not been followed up by the necessary re-

search. At best his book is genial and warm-hearted, sprinkled with literary allusions, and distinguished by some attractive turns of phrase. After reading it, most of his readers will no doubt join with him in proposing Dickens's toast, which he uses as a motto, "Bless the Squire and his relations."

Miss Jaeger, who deliberately concerns herself with a narrower social vista, is far more informative and suggestive. She became interested some time ago in the process whereby "the sweetness and light of the Age of Reason passed into the sombre earnestness of the Victorian Age," and as a result of what at first was "desultory" investigation has produced an agreeable and well-written study of Victorianism before Victoria. She shows, much in the same way as M. J. Quinlan did in his "Victorian Prelude," a work she does not quote, how English society under the influence of evangelicalism and Scots philosophy became more "serious" and "morally superior." The young began to rebuke their elders for frivolity, and there was something in the nature of a revolution in both manners and taste.

Miss Jaeger's themes are carefully selected and well-documented, but her artistry is more elegant than her analysis is complete. She has not looked sufficiently hard, for example, at the eighteenth-century ancestors of the "Society against Vice and Immorality"; she has not searched deep enough into the roots of evangelicalism; and, above all, in directing attention to the lectures of Dugald Stewart she diverts attention from the far more significant treatises of Jeremy Bentham. Three somewhat casual references to utilitarianism in a book on the subject she has chosen are quite inadequate. When the deficiencies are taken into account, however, much of real value and considerable entertainment remains in her pages, and she has certainly succeeded in disproving one of Mr Wiggfield-Stratford's aphorisms, that history can seldom be at the same time both objective and readable.

The Old Firm

MINDING MY OWN BUSINESS.

By Percy Muir.
Chatto and Windus. 224 pages. 21s.

THIS rambling, happy, gossipy book is called an autobiography, but Mr Muir is too modest to make it so. There is nothing at all about his personal life; this is the story of the antiquarian bookshop which he joined in the twenties, and which he still conducts. He sketches in the background of the firm before he knew it, and a strange tale it is, illustrating the psychological truth of the maxim that a company is a different person from any of its shareholders. The firm starts as a bookshop of the old style in Exeter, doing a little dull publishing on the side; then it comes up to London; joins up surprisingly with John Lane and publishes the Yellow Book; splits off in horror from its strange associate, who goes his own prosperous way; jogs along till it loses

its eponymous owner, and is then taken over by a brilliant and scholarly clergyman, who likes business too much to stay in a parish, and launches the firm on to new and bold courses of first edition selling.

This is where Mr Muir comes in, and he casts himself modestly as the one professional bookseller and quiet business man in a strange, talented and delightful crew of amateurs. And, though he is much more, it is true that he is a professional; he was then, and is now, interested in what makes a firm solvent and what does not. The result is that, after many crises and changes, much capital pumped in and lost, and the death or departure of all the brilliant amateurs, the firm still survives and Mr Muir with it.

The opening of trade to the gentry provided fine new outlets for eccentricity, and none better than the antiquarian book trade. Mr Muir's firm, in its halcyon days, could show as many ripe examples as any comparable sector of British life: all his partners and most of the customers whom he mentions were out of the ordinary. He has a sharp and amusing pen, but not a bitter one, and his book is a delight to read. His story stops at the outbreak of war, when he snatches his firm away to the country. He drops a hint that he may write a sequel about its life and his in the salubrious district which they now inhabit; his readers will all look forward to it.

The Fiscal Field

READINGS IN FISCAL POLICY.

American Economic Association Series. Selected by Arthur Smithies and J. Keith Butters.
Allen and Unwin. 606 pages. 30s.

AS the list of "Readings" of the American Economic Association grows, so, necessarily, do the difficulties of the compilers. Each volume groups under a single heading—to date, theory of income distribution, business cycle theory, theory of international trade, monetary theory, enterprise and secular change—a selection of periodical and pamphlet literature which students "might otherwise overlook or not find readily accessible." The trouble with this genuinely invaluable project is that the headings inevitably overlap, more or less awkwardly; with this volume, shoe-horned in between cyclical theory, money, and the yet-to-be compiled selection on public finance, the overlap threatens to be very awkward indeed. The editors solve their problem, as the change in title indicates, by stressing for the most part policy rather than pure theory. These essays and book extracts are as often footnotes to recent economic history as analyses of abstract situations or models.

The initial paper examines "our intellectual heritage" in the matter of budget balancing; a section, headed by Keynes's famous open letter to President Roosevelt, on fiscal policy in recovery, is balanced by another on fiscal policy and inflation, symmetrically

ended by an extract from Keynes's "How to Pay for the War." There are six essays dealing with the fiscal aspect of monetary policy, ten on instability and stabilising devices, a short section on the "burden" of public debt, and two papers—one an extract from Schumpeter's "Capitalism, Socialism and Democracy"—on fiscal policy in its relation to economic growth. (One may hope that a set of "Readings" on economic growth is on the Association's agenda; but its editors will have a terrible job.)

Inevitably, the predominance of concrete policy confronts the English reader of these mainly American essays with a stiffer task of translation, into terms of English conditions and experience, than do earlier volumes. The comprehensive bibliography (some 800 titles) should, however, make it possible for any serious student to find English counterparts whenever they are felt to be really necessary.

Pupil's Tribute

TEACHER.

By Helen Keller.
Gollancz. 224 pages. 15s.

THE story of Helen Keller's metamorphosis from a phantom without will or intellect into a young woman of cultivated tastes, high social conscience, and a radiant awareness of beauty, has become part of the bible for the handicapped and those who work for them. Yet all through her public career she has been saddened and exasperated that her own freak value overshadowed the vital, unwavering devotion and constructive labour that had made possible the restoration of a truncated life into form and comeliness. Her book is a tribute to the "Teacher" who "lent her humanity to create mine"; it is a plea to the public to disregard the phenomenon of a deaf-blind mute who graduated at college with normal contemporaries, spoke on public platforms and travelled all over the world to further the cause of deaf-blind sufferers, and to consider how the miracle was accomplished.

Anne Sullivan Macy came to the Keller homestead when she was twenty-one and the child was seven. At her own request she was segregated in a nearby annex with the little being "governed by animal impulses, not often those of a docile beast," and by dint of patience, determination and even physical force—in one battle with her wild charge she lost two front teeth—she brought her to the first stepping-stone, the cognisance of water, and instead of an antagonist she became "Teacher." But she remained a task-mistress, requiring more, not less, effort from her handicapped pupil. She was not over-protective, and was adamant in her veto of pity, the greatest stumbling-block to the sightless. But in addition to her method of teaching she brought to the task an inquiring mind, a vivid sense of beauty, a love of English literature and a fascinating personality. In her boundless ambition for her pupil she

absolutely disregarded physical limitations, including her own, squandering her failing sight freely to promote Helen's mental vision.

Almost every page of this loving appreciation reveals the breathtaking achievement of the venture. Helen Keller speaks casually of herself as a careless, happy and positive young girl; describes a colourful trip to Hawaii; revels in the immensity of earth and sky, the good fellowship and laughing talk of visitors, and "the memory pictures in my fingers." As the depth and amplitude of the experience gained by three senses are revealed, one is humbled at the paltry use one makes of five.

Naturalist's Odyssey

PELICAN IN THE WILDERNESS.

By F. Fraser Darling.
Allen and Unwin. 380 pages. 25s.

THIS is an expert's book that can be greatly enjoyed by a layman. The writer has not only an encyclopaedic knowledge of natural history, but a good sense of humour which he couples with a pleasant style.

He has sub-titled his book "a naturalist's Odyssey in North America." All odysseys have a purpose, and his was not only to see the variations of co-existence between man and nature and to study birds and beasts, but also to see what life was like in the virgin wilderness which man has, as yet, had no opportunity to spoil. His travels took him from the United Nations, at Lake Success, through the south west to Mexico, and then north to Alaska.

Like all wise men, he collects people and places, but as an ecologist he is most interested in the effect of the people on the places and the places on the people, and is as interested to analyse the structure of life of the gamblers of Las Vegas as of the Eskimos of Alaska. His writing is always good, but amusingly variable; sometimes in lyric vein, sometimes staccato and sometimes he trudges in the footsteps of Samuel Pepys.

Shorter Notices

BRITISH NATIONALITY LAW:
Revised edition.

By J. Mervyn Jones.
Oxford University Press. 333 pages. 45s.

This book is very heavy going, even for lawyers. This is less the fault of the author than of his subject, but he has contributed to its difficulty by concentrating a vast amount of erudition into a very small space. The subject is involved, because for many years before 1948 some Commonwealth countries had been formulating their own nationality laws without regard to the common code, and in the end the British Government had no option but to face the fact. The upshot has been that the United Kingdom is in the position of the long-suffering mother who welcomes to her arms all those, prodigal and otherwise, whom no one else will take.

The British Nationality Act, 1948, in conjunction with legislation and constitu-

tional changes elsewhere, resulted in substantial numbers of irate Empire builders from Burma and India being required to prove their British nationality for the benefit of passport officials, who, it must be recorded, were tolerant, amused and very helpful. Mr. Mervyn Jones in the second edition of a book originally published shortly before the Act of 1948 was passed has written an admirable guide to this legislative maze, although it is not one which can be readily understood by those without a knowledge of the subject.

LIFE SINCE 1900.

By Charles Furth. Allen and Unwin.
172 pages. 15s.

This is evidently a large subject, but the author is not overwhelmed by it; he remains alive and recognisably human all the time. "This is on the whole an unpleasant book, and we come now to its most unpleasant part." When a chapter begins like that the reader is conscious of a fellow human being at the writer's end. It is a book for the uninstructed reader, and its spiritual home is a shelf in the school library, from which it should be frequently removed; but anyone might find it good reading and learn things he did not know before. In spite of the unpleasantness, cheerfulness breaks in towards the end with an account of improved conditions in Britain, fortified with a multitude of statistics. For example, only 20 per cent of those earning £10 a week or more take a bath daily—or did so in 1947-48. We live in a statistical age, but one continues to be surprised at the confidence with which statistics of this sort are produced.

Books Received

SELECTED LETTERS OF SYDNEY SMITH.

Oxford University Press. 353 pages. 6s.
The latest addition to the publishers' "The World's Classics" has been edited by Nowell C. Smith. In a preface he says that in making a selection from 1,038 letters he has tried to present the course of Sydney Smith's life, his friendships and his interests.

THE PAKISTANI WAY OF LIFE.

By I. H. Qureshi.
Heinemann. 92 pages. 12s. 6d.

PRIVATE CAPITAL FORMATION IN AUSTRALIA: Estimates 1861-1900.

By N. G. Butlin. The Australian National University, Canberra. 172 pages. 20s.

YEAR BOOK OF INTERNATIONAL TRADE STATISTICS, 1954.

United Nations, New York. London: Her Majesty's Stationery Office. 556 pages. 36s. \$5.00.

YEAR BOOK OF THE UNITED NATIONS, 1954. United Nations, New York. London: Her Majesty's Stationery Office. 666 pages. 70s. \$10.50.

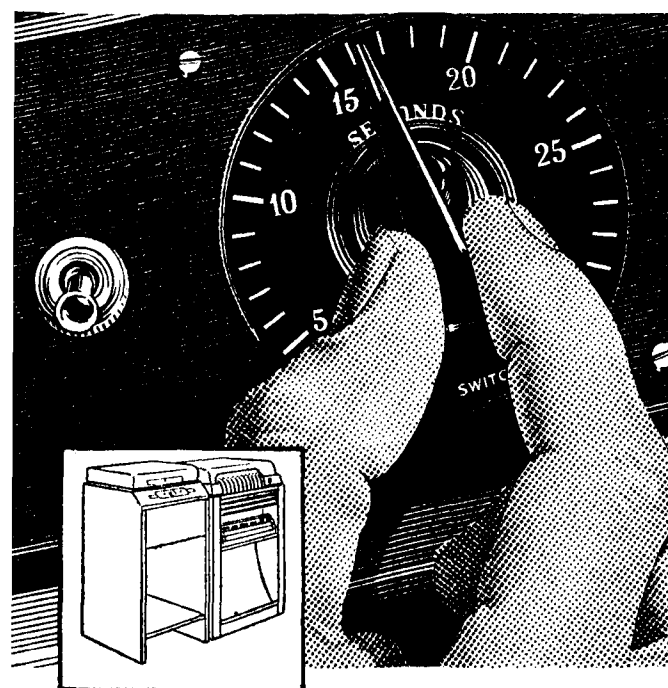
DEMOGRAPHIC YEARBOOK 1955: seventh issue.

Statistical Office of the United Nations, Department of Economic and Social Affairs, New York. London: Her Majesty's Stationery Office. 792 pages. Paperbound 50s. \$7.00. Clothbound 60s. \$8.50.

L'ENSEIGNEMENT DU TOURISME.

By A. Mariotti.
Imprimerie Corbez, Montreux. 144 pages. No price given.

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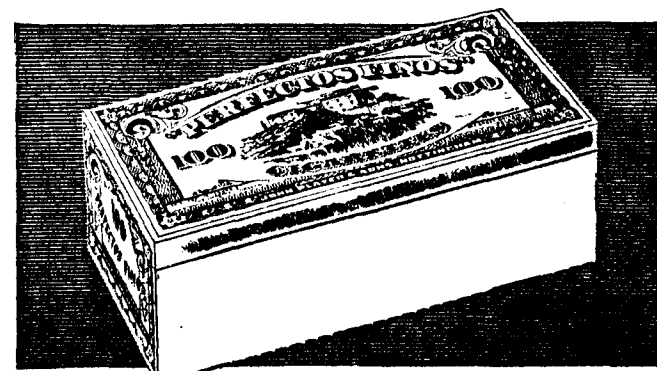
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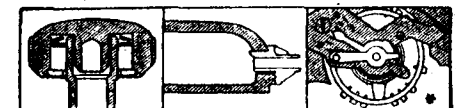
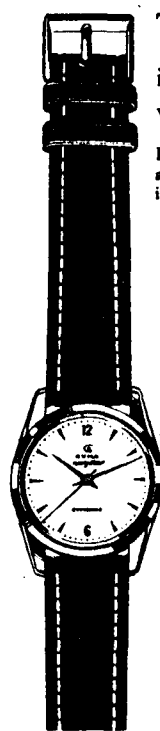


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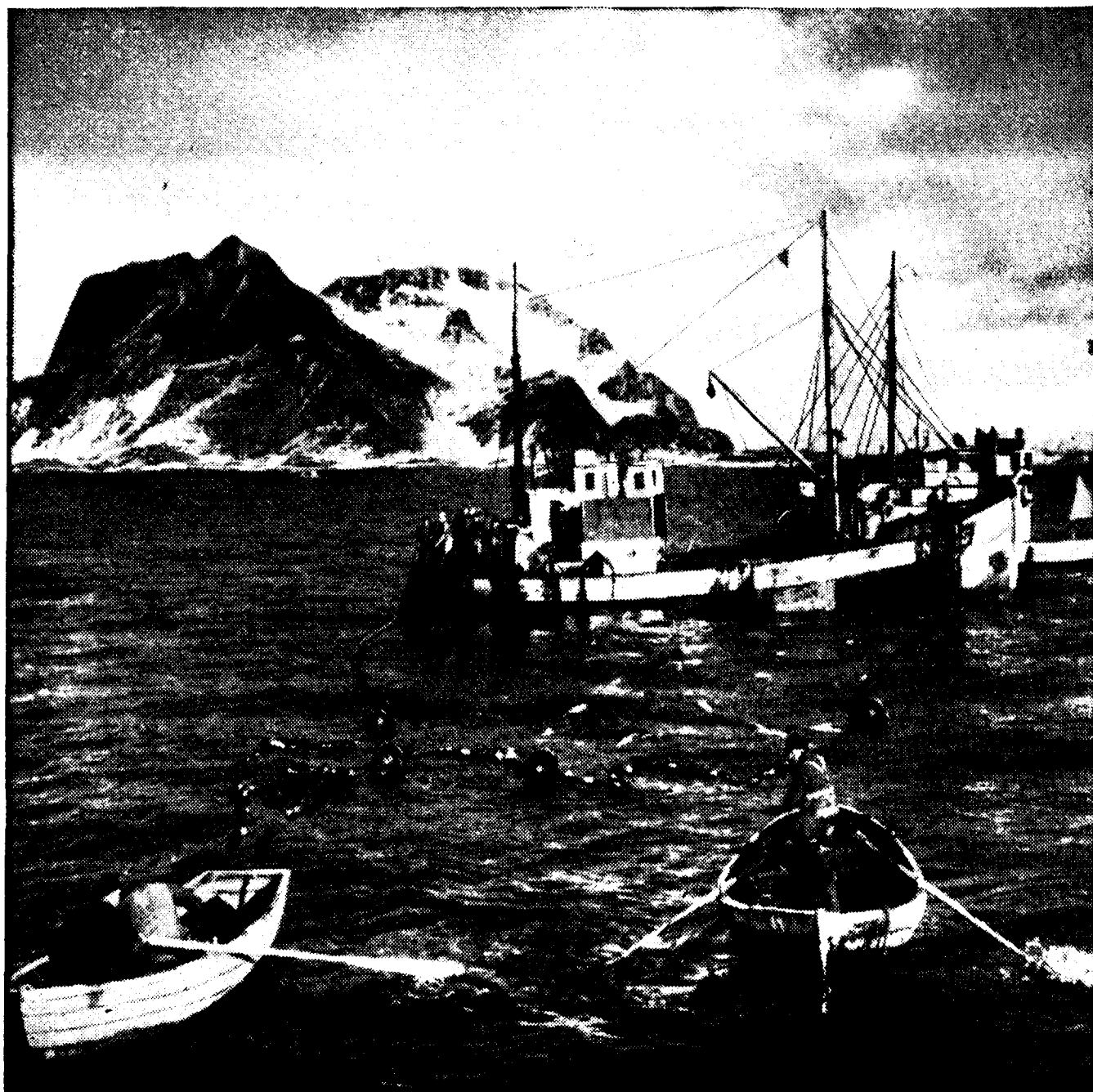
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American Survey

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Labour Goes Slow

Washington, D.C.

THE new federation of American trade unions has put off until after the party conventions its decision on whether to endorse a presidential candidate this year. This is only to a slight extent a gesture to the two Republicans on the federation's executive council. The postponement was chiefly the result of a combination between the politically timid, who are afraid of exposing labour's leaders to repudiation at the polls by the rank and file—the Gallup survey has said that 56 per cent of union members now support Mr Eisenhower—and the politically bold, such as Mr Walter Reuther, who want to jolt the Democrats into realising that labour's support is not to be taken for granted this year.

The merger of the two great labour groups has raised again in a more dramatic form the much debated question of whether trade unions really have much influence on political elections. It is often argued that they do not, and cannot, because America is not a class conscious country, because union members resent being told how to vote by people whom they hire simply to get better working conditions for them, and that an industrial worker's life is so much fuller in America than elsewhere that union membership is only one among the many group loyalties which may determine his politics. By contrast, other critics of labour's political aspirations hold that the merger has produced a wealthy monopoly, able to manipulate a formidable urban "block vote," mainly to the advantage of the Democrats, despite the wishes of the many trade union members who are Republicans.

The only thing certain about the coming election is that it will prove neither point conclusively. The new federation may turn into a political giant, but as yet it is a most unco-ordinated one. The merger has so far taken place only at the top; except in five states it has not yet reached down to the state and local labour councils which are the effective units for most political purposes. It is possible that after this stage has been completed the more politically dynamic spirit of the Congress of Industrial Organisations may prevail. But many states are still far from this. Californian labour, for example, is still divided between Mr Haggerty's state council of the American Federation of Labour, which has a long record of co-operating with Republican state governments, and the smaller CIO, which is helping to revive the Democrats.

It is obvious that a union leader cannot "deliver" his members' votes like a sack of potatoes. Mr John L. Lewis proved that when he called on his miners to vote Republican in 1940 and West Virginia, where there is the largest con-

centration of them, gave Roosevelt his usual thumping majority. The CIO's experience in recent years suggests that, while a union may come to grief by plunging into a political vacuum, it can be very effective if it can find a suitable framework in which to act. While Michigan is always cited to prove the unions' political strength, the neighbouring industrial state of Ohio is the prize example of their political impotence. It is worth comparing the circumstances.

At first sight they have much in common. Both are expanding industrial states, with a Republican political tradition, and Democrats who have seized the Governorship and held on to it. But there are historical and geographic contrasts—Michigan, unlike Ohio, has only one major industrial complex, Detroit, one preponderantly strong union which is the most politically conscious in the country, and a relatively recent history of bitter industrial strife. Moreover there is a striking difference in the political setting. In Michigan the unions were able to achieve success under the banner of Governor Mennen Williams, who is an outstanding political leader in his own right and first captured the governorship more or less on his own. The CIO burst into politics to help him hold it for a second term by the narrowest possible margin; this gave the Democrats the breathing space they needed to build a modern party organisation, so that in subsequent campaigns the unions have been able to operate more circumspectly as its auxiliaries.

In Ohio, on the other hand, so far from the Democratic Governor, Mr Lausche, turning to the unions for help, he takes regular electoral credit for being against the "labour bosses." Since he controls what little Democratic organisation there is and does practically nothing to help other Democratic candidates, the unions felt obliged to lead openly the campaign against the late Senator Taft in 1950. In these circumstances, with the Governor barracking from the sidelines, and with only an exceptionally feeble Democratic senatorial candidate to run against a famous and widely respected incumbent, the Ohio CIO showed itself incapable of controlling the labour vote and Senator Taft was re-elected by an enormous majority.

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In any comparison with British conditions it must be remembered that, out of a labour force of sixty-four million, well under twenty million are trade union members. Of these only a minority belonged, before the merger, to the CIO and not all the CIO unions were as politically com-

mitted as Mr Reuther's automobile workers. A recent study by Wayne University on the behaviour of the Detroit autoworkers in the 1952 election suggests that members of this advance guard are at least as loyal to union leaders as are British trade unionists. Mr Stevenson received 75 per cent of their votes, while the union-backed candidates for Governor and Senator both received over 80 per cent.

Of course this does not prove how many votes were decided by the union leaders. Perhaps the most that can be said is that there are two outstanding ways in which union resources can be used to help the Democratic candidates whom the trade unions endorse: registration drives and financial contributions. Since lower income families tend to be well above the average in Democratic sentiment and well below in registering to vote, it follows that an energetic campaign to get them on the electoral roll is likely to improve Democratic chances. This approach has added merit in that it avoids "telling workers how to vote" and that it can be represented to the world in general as a disinterested public service. Moreover, trade union funds are often the only major source to which Democratic candidates can turn to counterbalance the usual Republican financial advantage. This is becoming more important than ever in that the most expensive item of all, television, is rapidly becoming the most influential.

There is no contracting out of political dues for trade unionists in the United States. Except in a handful of states, of which Wisconsin is the most important, the unions have free use of ordinary dues to help candidates for state and local offices. This is forbidden for federal elections, so that voluntary contributions are raised by separately organised political action committees. But since a political party runs candidates for both types of election on the same ballot the distinction is rather narrow. Moreover, the federal law applies only to the campaigns of individuals. Union funds can be spent on lobbying and on "political education," which includes registration campaigns, regular union television programmes and magazines, and the circulation of voting records which show the issues on which incumbents voted "right" or "wrong."

This power of the purse, linked to the considerable power of publicity controlled by the unions, is increasingly giving labour leaders influence over the selection of Democratic candidates and the wording of their platforms. In his speech to last week's CIO state convention in Michigan Mr Walter Reuther made it abundantly clear, as he has done before, that he hopes to use this power to force a realignment of political parties, so that Democrat should always mean liberal and Republican always conservative.

Rounding Up Democrats

IT is not yet certain, for all the wide publicity given to his satisfactory progress, how soon the President will leave hospital. But the Republicans are eagerly counting on the earliest possible announcement that he feels able to run again, to dispel a nightmare they publicly ignore and to deflate the question of his health as a political issue. The lessons learned the hard way at Denver last autumn, when for a few days uncertainty ran riot, have been

smoothly applied. By securing the President's signatures to bills and access to him for Dr Adenauer and M. Pineau, the White House staff is studiously fostering the illusion that Mr Eisenhower is still in full command and that no government business is being held up by his illness.

The ablest stage management, however, will not convince the Democrats that their chances are not the brighter for the reasonable doubts about the President's ability to play his full part during the next four years. As the Democratic contenders manoeuvre to round up the uncommitted delegates to the nominating convention which begins on August 13th, it should become clearer whether the party's reaction will be to unite behind Mr Stevenson in order to make the most of their better prospects, or whether a more glittering prize will simply sharpen the appetites of his rivals. Of the 1,372 votes which will be cast at the convention, Mr Stevenson has 264 in his bag, compared with the 686 needed to win; 94 are pledged to him either voluntarily or by law, the remainder are known to favour him. The runners-up are Senator Kefauver, with 173 votes (only 62 pledged) and Governor Harriman with 102. Another 190 votes are scattered, at present, among "favourite sons," the leading political figures of individual states.

Beaten by Mr Stevenson in the primaries, Senator Kefauver has taken to the olive branch, although he disavows any interest in the Vice Presidency; he has publicly regretted his intemperate attacks on the victor. Mr Harriman, on the other hand, has set up a western campaign committee patently free of the taint of the eastern, city machine which is one of his national drawbacks. He hopes to convince enough of the uncommitted delegations from the large states that only a campaign based on the radical pattern set by Mr Truman can defeat Mr Eisenhower. Mr Stevenson's task is to corral enough delegates to force an early decision. He has shown that he can win in a rough and tumble with Senator Kefauver. What is now wanted is a reassertion of the moral and intellectual leadership he displayed four years ago. Moderation is Mr Stevenson's great attraction to such influential Democrats as Senator Lyndon Johnson and Mr Rayburn, who want to prevent any southern walkout. But it is no substitute for the ability to find issues worthy of his talents and make it clear where he stands on them.

Foreign Aid Under Fire

WHEN the Foreign Relations Committee of the Senate recommended that Congress should authorise the expenditure of \$4.5 billion to carry on the foreign aid programme, the Administration won a preliminary round in what has been, and continues to be, a difficult fight. Originally, President Eisenhower had asked for an authorisation of \$4.9 billion for the fiscal year beginning on July 1st. After a prolonged tussle, which included attempts to stop all aid to Marshal Tito, the House of Representatives cut the President's figure to \$3.8 billion. From his hospital bed, Mr Eisenhower set all his lieutenants in motion to persuade the leaders of both parties in the Senate that such a reduction would be a severe blow to American foreign policy. By a vote of 13 to 2, the Foreign Relations Committee restored some \$700 million—including \$100 million for a special

fund for Asia—of the \$1.1 billion sliced off by the House and thus arrived at a figure which the Administration had qualified as "tolerable."

But despite the large majority that backed the President in the committee room, the foreign aid programme is in for a rough time when the Senate as a whole debates it next week. The reasons for congressional opposition are various and complex. Many Senators believe that the United States must devote more money to strengthening its own military defences and somewhat less to bolstering allies, many of whom are showing increasingly neutralist colours. The Senate committee recognised this sentiment when it stipulated that \$1.6 billion of the total authorisation must be spent on weapons for American forces replacing arms of equivalent value which can then be sent to allied armies. Meanwhile, however, the Senate Appropriations Committee was independently voting an increase of \$1.2 billion in domestic military expenditure and many Senators feel that they should not call upon the tax-payer to bear the burden both of greater defence spending and of increased foreign aid. Other Senators, including such "internationalists" as Mr Fulbright, oppose the present plans for foreign aid on the ground that they are too heavily laden with military commitments and that the new Russian "line" has made them obsolete. To meet this argument, the Foreign Relations Committee voted to spend \$300,000 on an "exhaustive study" of the entire subject.

But the Administration itself is responsible for much of the opposition. In presenting the case for foreign aid, it spoke with conflicting voices and showed that deep confusion reigned over such fundamental issues as neutrality and the best forms of military and economic action. Moreover, many Democrats who have loyally supported Mr Eisenhower against his own party feel that, if the Administration has been as successful as it claims in securing peace, the case for costly foreign aid needs new and more convincing justification.

Security out of the Wood?

ON June 11th, the Supreme Court delivered a ruling which is expected to have important consequences on the entire security programme. By a vote of 6 to 3, the court held that only those government employees in positions concerned "with the nation's safety" could be summarily suspended and dismissed without the right to have their cases reviewed. Expressing the opinion of the majority, Justice Harlan said that "in the absence of an immediate threat of harm to the 'national security' . . . the justification for summary powers disappears." These powers originated in 1950 when Congress stipulated that employees in eleven government agencies should be liable to immediate dismissal on grounds of security. Congress also gave the President the authority to apply this Act to any other agency as he thought fit. In 1953, in his notorious Executive Order 10450, President Eisenhower extended it to the entire government and did away with most of the safeguards which Mr Truman's loyalty programme had provided for government employees, especially those in "non-sensitive" jobs.

One of the many men dismissed by virtue of this order was Mr Kendrick Cole, an employee of the Food and Drug

Administration. He was accused of associating with persons "reliably reported to be Communists" and of attending meetings of the Nature Friends of America, a group alleged to be subversive. He appealed to the Civil Service Commission, but was informed that security procedures barred a review of his case. Thereupon, Mr Cole took to the woods and became a tree-surgeon while his lawyers hacked their long and weary way towards the Supreme Court. Now, after a legal battle lasting three years, Mr Cole will be reinstated and receive back pay. The Department of Justice also announced that seventeen other government employees, suspended from non-sensitive positions on security charges, would be reinstated immediately, and that there would be no further proceedings against persons in this category until the Court's decision had been studied further.

Although the verdict has marked a formidable victory for those who argue that the Administration's security programme has been indiscriminate and unjust, the fight is by no means over. The dissenting Justices declared that their colleagues had "stricken down" the government's best weapon against subversion and had usurped the President's executive functions. Moreover, a group of reactionary members of Congress, led by the traditional unholy alliance of Senators Eastland, Mundt and McCarthy and Representative Walter, promptly introduced legislation which would extend summary procedures on security to all government jobs.

Steel Showdown

NEGOTIATIONS between the United Steelworkers and the "big three" in the industry—the United States, Bethlehem and Republic Steel Corporations—were broken off sharply last week. Union negotiators are now bargaining separately with eleven major steel producers, but the threat of a strike, beginning at midnight on June 30th when the present contracts expire, is again looming. After two weeks of preliminary sparring, the employers made their offer, insisting on the desirability of a five-year contract barring strikes and allowing renegotiation only in the event of a national emergency. Such a contract would be a factor for stability in the American economy and would prevent stoppages such as have taken place seven times in the past twelve years. The steel producers offered an increase of six cents an hour on July 1st and on the same date during each of the next four years, with an extra rise of 6 cents an hour for some 15,000 workers in the lowest wage group and increases in the differentials for skilled work. Furthermore, the "big three" met the union by putting forward a supplemental unemployment benefit plan, covering fifty-two weeks. The industry's proposals also contained an unexpected, although small, concession on the question of premium pay for Sunday work.

After examining this contract, Mr McDonald, president of the United Steelworkers, declared: "The Titans of industry have laboured and brought forth a louse!" In particular union leaders are determined not to commit themselves for so long a period as five years. Moreover, as is traditional in such negotiations, mathematicians for both sides came up with flatly contradictory estimates of

what the proposals would actually cost. Mr McDonald and the 170 members of his wage policy committee rejected the whole offer with the derisive comment that it represented only a 2 per cent wage increase for workers who had increased their annual productivity by 11 per cent. Spokesmen for the industry answered with pained decorum that their proposal was "final" and represented the "ceiling" of what they could offer. But on both sides, finality is a time-honoured prelude to renewed negotiation and steel users are keeping their fingers crossed. If the strike does break out, customers such as the manufacturers of automobiles and appliances will begin living off stocks accumulated for just this eventuality. It is estimated that they could carry on for a 30- to 60-day period, but some other important users of steel, in the construction industry, for example, are already living almost from hand to mouth.

Coal in the Black

AN "unprecedented partnership" between the American coal companies, the mineworkers' trade union and the principal coal-hauling railways has been formed to acquire ships for the export trade in coal. The organisers of the new corporation, which is to have an initial capital of \$50 million, point out that the foreign demand for American coal is no longer on a spot basis, but "permanent and expanding," with three- and five-year contracts already being signed. They note with relish that the OEEC expects the European demand for American coal, which accounts for over two-thirds of all American coal exports, to rise from 27 million tons in 1955 to 40 million tons in 1960 and 50 million tons in 1975. Partly as a result of the growth in coal exports there has been for some time an acute shortage of tramp tonnage, and ocean freight rates have risen to the highest point since the Korean war. It now costs more to send a ton of coal across the Atlantic than to mine it and transport it to the American port of shipment. The new coal shipping company hopes to mitigate this shortage either by acquiring ships from the government's reserve fleet, or possibly by building its own colliers.

The growing European demand for American coal is one of the main reasons for the present exuberance in the coal mining industry, almost moribund two years ago; it hopes to produce over 500 million tons this year compared with 392 million in 1954. But economic expansion in the United States shares the responsibility for this revival. Not only are the requirements of steel and aluminium producers and other industrial users of coal steadily rising, but more and more coal is needed for the generation of electricity. Both these trends are expected to continue, especially the second, for there are only limited possibilities for further expansion of hydro-electricity and coal owners look for no serious competition from atomic energy for at least twenty-five years. As a result the industry has stopped crying over the markets for railway fuel and household heating which it has lost to the oil industry.

The coal companies' chief concern today is with finding not new markets but new capacity. However, coal is still handicapped by its heavy transport costs, at home as well as abroad. The domestic counterpart of last week's shipping

scheme is the coal pipeline now being built in Ohio. If it proves satisfactory, this type of facility should develop rapidly. Coal costs will, however, probably be threatened from another traditional quarter as soon as prosperity seems firmly re-established. Mr John Lewis, recognising the community of interest between coal owners and coal miners, has been most co-operative while the industry's accounts have been in the red. But now he may well argue that it is the owners' turn to recognise the community of interest and to give the members of his union a share in the new profits. The wage contract between the miners and their employers comes up for renegotiation this autumn.

Tax Cut on the Way

THE Secretary of the Treasury is about to ask Congress to keep the ceiling on the national debt above the statutory limit of \$275 billion for yet another year. This will again be necessary, even though the budget is expected to show a substantial surplus when the fiscal year ends on June 30th, because the concentration of tax receipts in the spring and early summer means that later in the year the government cannot avoid spending more than it takes in. But this year, thanks to the surplus, a rise of only \$3 billion, to \$278 billion, is probably all that will be needed, rather than the increase of \$6 billion which has recently been usual. This will be the first time the ceiling has been lowered for ten years and Congress is therefore unlikely to make any difficulty about granting the Administration's request. But the combined effect of a reduction in the national debt, a surplus in the budget, and the Democrats' need for an appealing election issue, may be to inspire a last minute effort in Congress to over-ride both the Administration and the Democratic fiscal expert, Senator Byrd, and to cut taxes before the adjournment. Such a move would be stimulated should the present disturbing signs in the economy become more serious in the next few weeks; but, if the automobile industry is any guide, it looks as if the worst of the readjustment might already be over.

The possibility—it is still far from a probability—of a tax reduction was encouraged by a report earlier this month from the Committee for Economic Development, a research group of respected business experts, who support government action to stabilise the economy and who once argued that in times of prosperity any surplus revenue should be devoted to reducing the national debt. Now, however, they believe that tax reduction is more important, since the increase in the national income means that the national debt no longer weighs so heavily as it used to do on the economy. The group believes that the best way of ensuring that this economic growth should continue is by tax reforms which would put budget surpluses back into the "stream of private income where they can be an incentive to enterprise and a source of funds for venturesome investment." The CED report therefore advocates a reduction in taxation, to be approved before Congress adjourns and to take effect next January, provided a surplus of several billion dollars is really in prospect for next year. The details of the CED proposals, however, are much less politically attractive than is the general principle, for the tax cuts are to benefit mainly



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corporations and people with high incomes, in order to stimulate saving and investment rather than consumer spending. But consumer spending comes mostly from the low income groups where the majority of voters is to be found and in which Congress is naturally more interested than is the CED.

New Guard in Maryland

Washington, D.C.

AFTER the recent Democratic primary election in Maryland came the wholesale slaughter of the victors. In the subsequent party convention everyone who had supported Mr Millard Tydings, the successful candidate for the senatorial nomination, was proscribed. The people who have replaced some of Maryland's most distinguished Democrats as the members of the state's delegation to the party's national convention are mostly unknown, small-time politicians who chose the right moment to desert their old leaders. The two most rapidly expanding counties, Prince Georges and Montgomery, which contain some of the suburbs of Washington, were punished for giving large majorities to Mr Tydings by being left unrepresented altogether.

Perhaps only in Maryland, which has one of the oddest political systems in the country, could there have been such a rapid and paradoxical reversal of fortunes. Geographically, the state is a monstrosity: on the map it looks like a snake which has been chopped into three and is still wriggling. The central and eastern portions form the opposite shores of the Chesapeake Bay. These, and especially the eastern shore, where until recently the descendants of early settlers lived a placid, backwater life, are northern projections of the American South. The western portion, a beautiful triangle in the Alleghany Mountains, is only connected with the rest by a narrow strip.

These geographic peculiarities of Maryland help to explain why power is dispersed among the counties and why politics are almost entirely a matter of personalities. The urban section of the state, which consists of the city of Baltimore and the Washington suburbs, and in which an increasingly high proportion of the population is living, has generated no liberal movement. The trade unions, for instance, are politically ineffective. Apart from the western counties, which are traditionally Republican, conservative Democrats control almost all local offices and invariably dominate the state legislature at Annapolis. Nevertheless, not only did the Republicans carry Maryland in the last two presidential elections, but both of the incumbent Senators are Republicans and so is the Governor, Mr Theodore Roosevelt McKeldin, who is in the middle of his second four-year term.

The reason for this paradox and for the recent tumultuous Democratic convention is the factional rivalry in the Democratic party. In the course of four elections since 1950 the party has been reduced to a shambles by the unquenchable ambition of one man, Mr George Mahoney, a wealthy paving contractor with a large smile, a hearty handshake, and no discernible political principles. He has never won an election but usually comes so close that it is

impossible to dissuade him from having just one more try.

Under the Maryland constitution each county has the same number of electoral votes in a primary election as it has representatives in the two houses of the state legislature and in each county the winner takes all. As the apportionment of seats in the legislature is quite out of date, it can easily happen that the candidate with the majority of popular votes loses the nomination. This is precisely what happened to Mr Mahoney in his first effort to become Governor in 1950. The bitterness generated in the Democratic primary delivered the governorship to Mr McKeldin in the November election. The story was similar in 1952, when Mr Mahoney won his party's nomination for the Senate but lost the election. In 1954, Mr Mahoney fought Mr Curly Byrd for the gubernatorial nomination in an unsavoury campaign which was so close that recounts of the poll dragged on through weeks of agony. The disgusted voters rather naturally made Mr McKeldin the first Republican Governor of Maryland ever to be re-elected.

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This year, some members of the Democratic "Old Guard," notably the State Controller, Mr Millard Tawes—who wishes to run for the governorship in 1958—conceived the brilliant idea of getting Mr Mahoney safely out of that race by giving him a clear run for the Senate. But at the last minute, the gorges of many of the Democratic elders rose simultaneously at the thought of treating the Senate as a dumping ground for unwanted politicians. Pressure to run again was therefore brought to bear on Mr Millard Tydings, an old-fashioned southern gentleman who had been in the Senate as long as anyone could remember until his defeat in 1950. During most of his service he had a reputation for extreme conservatism. But he went out with the unlikely halo of a liberal martyr, having headed the Senate committee which contemptuously rejected Senator McCarthy's notorious allegations of subversion in the State Department. As a result Senator McCarthy's most unpleasant henchmen helped to elect the present Republican incumbent, Mr John Marshall Butler, in one of the nastiest political campaigns of modern times. Surprisingly, the campaign for the senatorial nomination in last month's Democratic primary was the politest ever known. Mr Mahoney stressed his devotion to party unity and his resolve to do nothing that would deliver the November election into the hands of Senator Butler. Once again he came within an eyelash of victory. He and Mr Tydings got the same number of county unit votes. In the event of such a tie, the actual number of individual votes is decisive. On that count Mr Tydings was nominated.

But because Mr Tydings' intervention was a last-minute improvisation, the Old Guard had neglected to organise a campaign for delegates to the state convention. Mr Tydings himself went off for a rest and failed to negotiate with his defeated opponent, who emerged with a clear majority at the convention. For all the soft words about party unity, Mr Mahoney and his ally, Mr Tawes, laid about them with a vengeance. Some Marylanders claim that the revolution has improved Mr Tydings' chances of being elected to the Senate in November, since the Mahoney forces, having at last captured the Democratic organisation, will want to prove themselves efficient party workers. But it seems much more likely that Maryland Democrats will once again show their skill at snatching defeat from the jaws of victory.

Banking Anachronism

FROM A CORRESPONDENT IN SAN FRANCISCO

WHEN President Eisenhower signed the Bank Holding Act last month he observed that it "falls far short of achieving its objectives," since it contains many exemptions and special provisions which will limit its application to a very few firms. He might also have added that, even if it achieved its objectives, it would fall far short of effecting any important change in the country's banking industry. The new law is a significant political victory for the defenders of the traditional American system of local single-office banks, and demonstrates the strength of the forces which oppose today's steady trend towards branch banking and the concentration of bank capital. But the targets of the legislation—the bank holding companies—have not been responsible for the rapid extension in recent years of multi-office branch banking. Furthermore, the one firm which the new law most affects, the Transamerica Corporation of San Francisco, has anticipated its passage by counter-moves to minimise the curbs on the company's operations.

The Act itself is a relic of the days immediately following the collapse of many vast holding companies during the 1929 crash. Stringent restrictions on public utility holding companies were enacted in 1934, but similar legislation against bank holding companies, although introduced annually, did not pass the House of Representatives until 1955; by then the importance, and political influence, of bank holding companies had diminished considerably. Much weakened from its earliest versions, the Act was further diluted by the Senate's insertion of exemptions.

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As passed, the Act requires the approval of the Federal Reserve Board before a bank holding company may take control of additional banks, and prohibits the company from acquiring or retaining subsidiaries whose activities are "not related to banking." However, a bank holding company is defined as a firm which controls "two or more" banks; this exempts the many holders of single banks and a number of religious, charitable, educational or family trusts are also specifically excluded.

The Act adds to the broad supervisory powers now exercised by the Federal Reserve Board over bank holding companies, but it does not direct the board to prohibit their further expansion, as some wanted it to do. The board is merely given two new conditions which must be satisfied before it approves acquisitions of banks. First, it must consider whether a proposed acquisition would expand the holding company which is applying for permission "beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking." Secondly, a bank holding company cannot take over a new bank in a state other than its own domicile unless it has specific authority from the legislature of the state where the bank is.

Freely translated, the first condition means that the Federal Reserve Board will measure the pressures within the banking fraternity for and against a proposed acquisition by a bank holding company, and the second that certain state legislatures will be the scene of additional lobbying by competing banking groups. The actual effects which either condition will have on future expansion by bank

holding companies can be determined only in practice. The requirement of formal approval is significant, however, as a token of the political potency of the opponents of branch banking, which cannot be carried on across state boundaries and is restricted or entirely prohibited in many states. In years past, bank holding companies have antagonised advocates of single-unit banking because they have been able to escape restrictions on branch banking by acquiring a number of unconsolidated banking subsidiaries in several states and throughout states where branch banks are forbidden. Branch banking on an interstate basis is seldom seriously advocated, since it would require extensive federal and state legislation. The continuing opposition to branch banking on a limited local scale shows that interstate operations are still very far in the future.

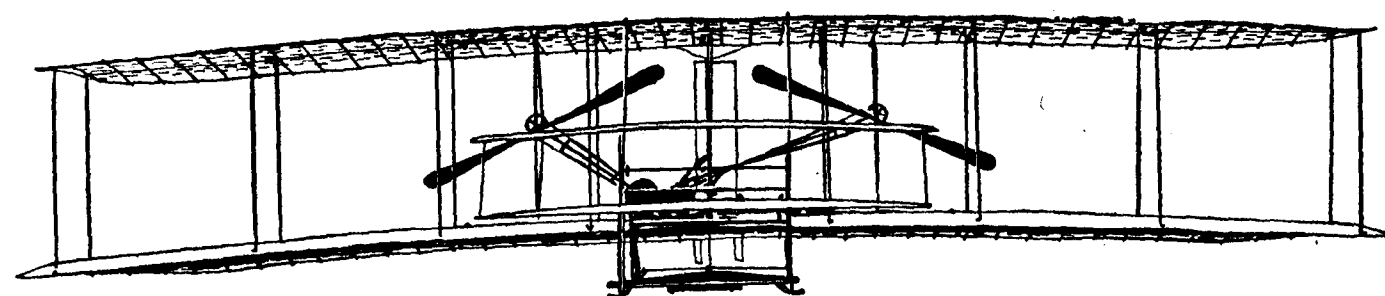
This victory of the "independent bankers," as the advocates of single-office banking are called, may tend to strengthen their hand in those states where there is growing sentiment for a relaxation of the long-standing restrictions on branch banking. But it was a victory won without opposition (and perhaps with some covert assistance) from most of the country's large banks, whose activities are completely unaffected by the new law. In any direct contest over branch-banking, however, the independents would find many influential banks in the opposing camp.

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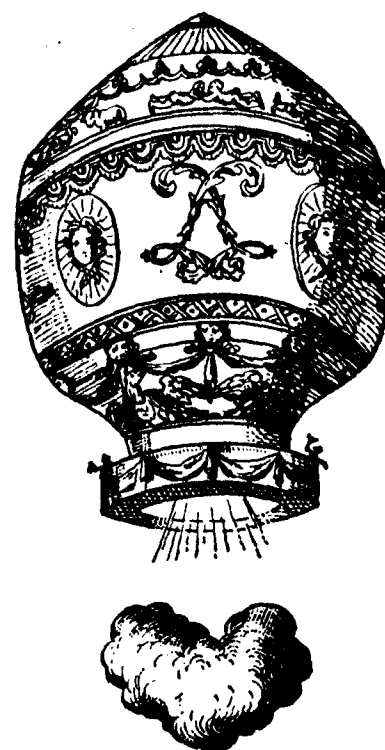
While the concentration of banking capital which is so much feared by independent bankers used to be fostered solely by bank holding companies, it is now developing largely through direct mergers of separate banks (some of them former "independents") into huge systems with such portmanteau titles as the Chemical Corn Exchange Bank, the Chase Manhattan Bank and the Crocker-Anglo National Bank of San Francisco. The merger method will doubtless be utilised henceforth by the Transamerica Corporation, the aggressive western bank holding company. In a whirlwind campaign undertaken when the new law appeared imminent, Transamerica in the first four months of 1956 purchased 20 new banks in six Rocky Mountain states where it previously had no bank holdings. As a result, further expansion there, and in the five far western states where the corporation already owned banks, need not be subject to the new Act, since it can be achieved through mergers with these subsidiary banks, which are subject only to the existing regulations of the several states.

The requirement in the new law that bank holding companies divest themselves of non-banking interests will apply in practice almost solely to Transamerica, which owns about \$1 billion in real estate, insurance, consumer finance and industrial subsidiaries; other banks with large industrial interests have relied on less formal methods of control than ownership by a parent holding company. Transamerica has intimated that any such "divestiture" will be achieved by the common practice of creating two companies from the single existing one and spinning off the new one by a distribution of shares to the present stockholders. Such a device would assure a continuing community of interest between Transamerica's banking and non-banking interests, and would mean that Transamerica's subsidiaries would then be freer than at present to engage in transactions with each other. It would thus thwart the intent of the new law, which reflects another tenet of independent bankers—that banks should not dominate industry and commerce.

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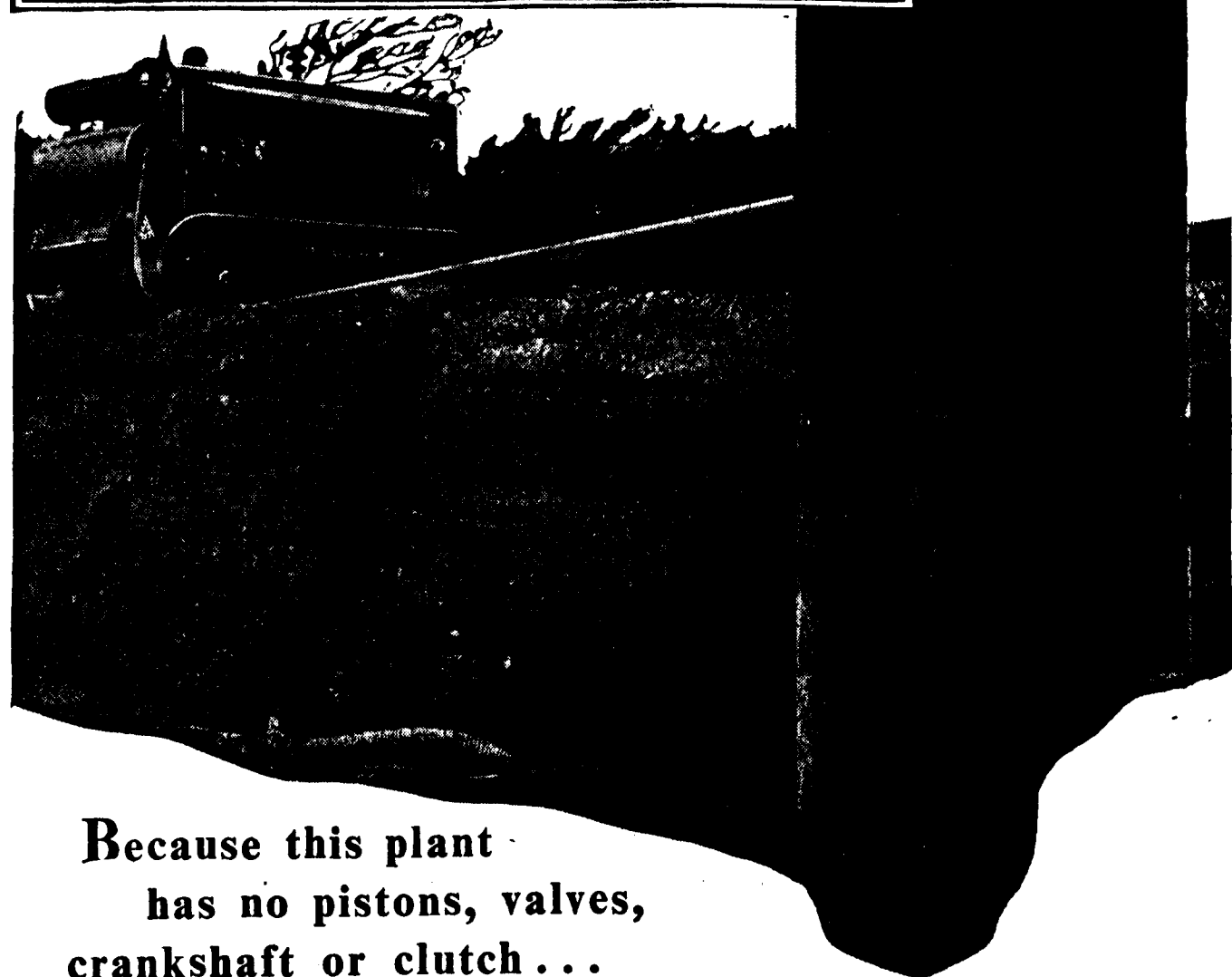
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The World Overseas

Diem's Shaky Foundations

FROM OUR CORRESPONDENT IN SAIGON

A CERTAIN complacency appears to have settled on the West about South Vietnam's future. The belief seems to be gaining ground that everything is going swimmingly south of the 17th parallel, that President Ngo Dinh Diem has communist infiltration well in hand, and that, now the Anglo-Russian talks in London have got round the snag of the elections originally scheduled for this July, the Vietnamese problem can be quietly shelved. The ultimate fate of the country depends, however, not on conference tables in distant capitals, but on the internal ferment in Vietnam itself—and particularly in the south where, despite the simplification caused by the defeat of the rebel sects and the departure of the French expeditionary corps, much is still fluid.

The drama of South Vietnam lies in the fact that it provides the most immediate test of whether the American aid programme can do what it is intended to do—to diminish and finally master communist infiltration in poverty-stricken Asia. Unfortunately, to arrive at the truth about the present situation in South Vietnam is almost as difficult in Saigon as it is in London or Paris. Almost all sources of information in South Vietnam are tainted, in the sense that they are divided between those who are determined to be optimists and those who are equally determined to be pessimists. With exceptions, the optimists consist of the government and civil service, the entire Vietnamese press, the American aid missions and the American and British embassies. The pessimists comprise the French, together with the enemies of the present regime and (it must be admitted) a considerable number of independent observers. It is extremely difficult even to get answers to questions of fact—how many refugees have actually been settled on the land, how well advanced the agrarian reform programme is, how much the pacification in west Cochinchina has improved the rice-growing prospects, and, most important of all, what the real degree of communist infiltration is in the south.

The optimists maintain that the problem of dealing with infiltration is now well in hand. They claim that purges in the Army and civil service have been thorough; that recantations or arrests of Viet Minh have been numerous and that the people are steadily rallying to the government; and that victory over the sects has been a conclusive blow to the Viet Minh, who were using them for their own ends. The pessimists reply that infiltration in the high plateaux of Central Annam via the Laotian frontier has never been more serious; that areas such as the Camau in the far south have never really abandoned their allegiance to the Viet Minh; that the defeat of the sects has

profited the Viet Minh, since the latter have taken over the rank and file abandoned by their leaders, thereby replacing open rebellion by clandestine subversion; that the administration is riddled, if not with communist agents, at best with timeservers who would work for any régime; and, finally, that the peasant in the ricefields tends to regard Uncle Ho rather than Mr Diem as the architect of national independence.

It must be remembered that the only press agency in Saigon, from which a large proportion of the news from the south originates, is not independent but an almost open organ of governmental propaganda. Furthermore, no opposition newspaper exists in South Vietnam and there are few foreign correspondents left in Saigon. The result is that most of the information now going out—especially to London and Washington—tends to have an optimistic note. To say this is not to deny the striking successes gained recently by Mr Diem. His principal achievement has been to defeat the sects, and the names of Bao Dai, Hoa Hao and Binh Xuyen no longer burden the international telegrams. It is very easy to underestimate Mr Diem. This time last year he had very few convinced backers; now he has won prestige and authority, even among his critics. He is known, and feared, in his country. He combines the skilful inactivity of Baldwin with the obstinacy of de Gaulle. He is as incorruptible as Robespierre.

Yet those who have watched him closely are beginning to doubt whether he has enough of the qualities of a popular leader. His ceremonial tours in the provinces are full of formal speeches and presentations and docile village deputations upon whom he confers his benediction, in the manner of pope or emperor rather than of revolutionary leader. He has been compared to Dr Salazar of Portugal, but the comparison fails in two important ways. Dr Salazar is a professor of economics; Diem is very much not. And Salazar does not have a crafty, ruthless and long-sighted enemy immediately across his frontier.

Certain political aspects of Diem's regime are unsatisfactory. There is too little freedom, and it is doubtful whether this is justified by any corresponding increase in efficiency. But the crux of the matter is the economic situation. Until now the government has tended to recline upon the easy sofa of American economic aid. The fact that almost the entire import programme of South Vietnam is financed by this aid is not surprising; it can be regarded as an inevitable aftermath of the long war which devastated the rich ricefields on which Vietnam's prewar export trade depended. The cumbrous mechanism

by which the aid process functions, adding about four months to normal delivery periods, is perhaps difficult to improve. More serious, and presumably more avoidable, are the abuses—the sales of foreign currency, the illegal traffic in licences, the indirect marketing of goods to the Viet Minh, the stocking or hoarding by undesirable intermediaries which prevents essential things from reaching the people who need them, and other practices which have diminished the efficacy, and also the reputation, of this great experiment. But far the most pungent criticism of the programme as it stands is that it seems calculated to do little more than supply the consumer goods which the Vietnamese, lacking foreign currency, cannot buy for themselves, instead of helping them to restore their productive apparatus at a rate which can compete with communist-aided North Vietnam.

The principal items of the aid programme to South Vietnam for the next six months are condensed milk, flour, sugar, petrol and oil, bicycles and motor scooters, textiles, tobacco, and cement. It is sometimes forgotten that if South Vietnam does not compete, economically and socially, with the north, it is in the long run doomed. Admittedly, it is difficult suddenly to start importing industrial machinery, schools, hospitals, trained technicians, skilled labour and foreign capital; and it is only too easy to criticise what is being done in these countries by American aid administrators, whose enthusiasm and skill in their difficult job are perhaps the most important contribution under their own aid programme. But the problem facing Mr Diem is urgent.

Mr Tho into the Breach

The steadily falling value of the southern piastre reflects the economic malaise of South Vietnam. Inflation is rampant, transfers of capital out of the country have reached indecent proportions, and unemployment is calculated at 300,000 out of a population of 11 million. Much, however, may depend on the performance of the new minister of economics, Mr Nguyen Ngoc Tho, an able man who recently served as ambassador in Tokyo. Mr Tho has made an excellent first impression and has already shown that he is willing to take the kind of drastic measures the situation demands. On June 13th, for instance, he announced new import regulations which should reduce the volume of unnecessary imports and discourage illegal use or transfers of import licences. Admittedly the overriding problem for Vietnam is not an economic but a political one—unification—and this is never long absent from the conversation of Vietnamese intellectuals. It is indeed doubtful how long a policy which practically slams the door on unification can be maintained. But if, as now seems possible, division is prolonged, it is highly desirable that the economic aid programme to the south should no longer be limited to a light sprinkling of useful commodities, but should start the process of reconstruction.

It has to be remembered that the Viet Minh enjoys the lustre of having fought for and achieved national independence, and of having defeated the French army in the field. Radical changes, both economic and political, are needed if the south is to hold its own. President Diem may be a big enough man to carry them out. But if he does not, then it is to General Chiang Kai-shek in the fateful days of 1947 and 1948, rather than to Dr Salazar, that he will one day be compared.

Who Runs Syria?

FROM A CORRESPONDENT LATELY IN SYRIA

WHEN the Syrian government fell last month as the result of a wrangle over the propriety of exporting wheat to the French forces in Algeria, there began a jockeying for portfolios that lasted for over a fortnight. The share-out, which was completed last weekend, once more produces a nearly-all-party coalition. But it is one in which pro-Egyptian jostles with pro-Iraqi, and pronounced left-winger with sedate member of the old aristocracy. It would be difficult to make head or tail of such a conglomeration without knowing one essential fact about current Syrian politics: they are dominated by two pressure groups, strong enough to bend any combination of the old parties to their will.

Syria's political history in the years since the Palestine war began with a revolution against the inefficiency of the old nationalist first families and an acceptance of military dictatorship. But, by 1954, this too had palled, and a wobble back to parliamentary democracy took place. As its result, the old parties are back in the saddle and a mixture of town aristocrats, tribal leaders and industro-commercial magnates is keeping a hold on government. But that hold is precarious. No matter what the grouping, the right-wing and centre factions that form the majority in parliament seem unable to overcome their personal differences in the way that would be essential were they to dominate the two pressure groups, which are the army and the *Baath* (Socialist Resurrection) party.

The army, in the five years of military dictatorship under General Shishakly, acquired a taste for public affairs and the administrative experience necessary to indulge it. Today, its voice is heard most clearly through its junior officers, many of whom hold pronounced left-wing views. These young men have an importance which extends far beyond their regimental duties. The head of the *Deuxième Bureau*—or internal security forces—is a captain. A major heads the Military Police. A naval lieutenant commands the *Troisième Bureau*, or propaganda division, which not only publishes the best and most widely read weekly in Syria—*The Soldier*, with a circulation of about 20,000—but also runs mobile libraries and a translation bureau, monitors radio programmes, co-ordinates anti-Israel propaganda and administers a vast education programme for an army which is said to number over 25,000 men.

The *Baath*, uniformed, saluting and well-led, go part of the way with the communists, but rival them in their organisation throughout the country. A combination of support by the army and the efficiency of their own propaganda department, street-mob machine and general cohesion makes the *Baath* a powerful political force. They draw their membership both from the peasantry, to whom they promise land distribution, and from the urban intellectuals, lesser officials, clerks and students.

With minor qualifications, both these forces are in favour of the closest possible links with Egypt. Not from any natural affinity to that country—far from it—but because Colonel Nasser has concentrated in his person the whole Arabic-speaking world's desire for unity, for freedom from foreign interference and for release from the evils of a landed ruling class. It is little use talking economics to the Syrian, telling him that in a generation Iraq may well be

strong and prosperous, and Egypt possibly bankrupt. A gigantic, wounded *amour propre* seems to crowd out all other considerations and Colonel Nasser looks like the only man capable of healing the wound. In contrast, Nuri es Said in Iraq symbolises for most Syrians a hated policy of military alliance with a foreign power and, at home, a feudal, illiberal regime (moreover, he spends little outside Iraq to dispel this impression, while the Saudis spend plenty to foster it). In Syria, there is little doubt that, man for man, the Iraqi is preferred to the Egyptian, but this natural sympathy towards Iraq, fostered by racial and commercial ties, is at present far outweighed by the violent opposition to Nuri's policies.

Once these facts are known, it becomes clear why a coalition government, whose main parliamentary constituents were allegedly pro-Iraqi, last October signed with Colonel Nasser a Syrian-Egyptian defence pact and has since pursued a generally pro-Egyptian line.

On both the home and the foreign fronts, army and *Baath* seem to run fairly easily in harness. For instance, it is the army, with an eye to its fuel needs in the event of war, that has been pressing for a domestic oil refinery to free Syria from dependence on imported refined supplies, and it has no objection to the current urging by the *Baath* that the refinery contract be immediately placed with Czechoslovakia, which was first in the field with a "bargain" offer. At the time of writing, the choice has not been made between tenders from Japanese, British, Italian, Czech and French firms. When cast, it will give some indication of the way the struggle is going inside the country.

The first incontrovertible sign that the *Baath* were likely to be the party to shape Syria's future came in April last year. Colonel Adnan Malki, the deputy Chief of Staff, was assassinated by a sergeant at a football match. Malki belonged to the *Baath* and his brother was one of its party leaders. His assailant was identified as a member of an all-out Fascist group, bitter rivals to the *Baath*, known as the PPS (*Parti Populaire Syrien*). The murder provided the *Baath* with a long-sought opportunity to rid themselves of the only opponents who had a catchy appeal to the public. It prevailed on the then coalition to gaoil the PPS leaders and to outlaw the party, destroying at one blow the chief organised support for the so-called Fertile Crescent project—a union of Syria with Lebanon, Jordan and Iraq. The distinguishing mark of the PPS is that they were a Syrian as opposed to an Arab nationalist party, seeing themselves as citizens of a vast greater-Syria.

The Whole and the Part

What makes "Fertile Crescent" plans wildly impractical today is not only the personal antipathy felt in Syria towards Nuri, but also the fact that their basis is Syrian, as opposed to pan-Arab, unity. No Arab politician will today admit that the "Arab nation" is divisible. Every Syrian party, along the whole political range, proclaims this unity as the first article in its manifesto. Nasser draws his popularity from it. To all, it feels like a comfortable barrier against Zionism.

The real dilemma in Syria today is that these active strivings for Arab unity, which Colonel Nasser has mobilised under Egypt's leadership, conflict both with the deep, latent sympathy for Iraqi brothers and with the old territorial dream of the PPS. It is a dangerous simplification to see this conflict as a straight fight between a left-wing Nasser and a right-wing Nuri—dangerous because it enables the

communists to harness Arab nationalism securely to their bandwagon.

No great originality can be expected from the new Syrian government. The active forces in the country—army, *Baath*, Moslem Brotherhood, students, trade unions—are all for the moment caught under the Egyptian spell. But, as hitherto, active pro-Egyptian feeling is diluted by the more traditional centre parties who are still the majority in parliament. How long these relatively static elements can continue to neutralise the young revolutionaries of the army and the *Baath* will depend on the tide of Nasser's fortunes more than on any other factor.

Black Session in South Africa

FROM OUR CORRESPONDENT IN SOUTH AFRICA

THE South African parliament has concluded a session which will long be remembered for the volume of highly contentious and authoritarian legislation passed. It started with a joint sitting of the two Houses to take the Cape Coloured population off the common voters' roll; went on to deny the Coloured people the right to sit in the Cape Provincial Council; abolished the franchise entrenchment in the South Africa Act and "established the sovereignty of Parliament"; gave the Minister of Native Affairs or a public servant unfettered discretion, under the Bantu Education Act, to refuse to register African schools; introduced apartheid and job separation and reservation in the Industrial Conciliation Act; and moved the onus of proof of nationality from the state to the individual in the Population Registration Act. It also gave a minister the right, under the new Immigration Act, to expel any alien whenever he feels like it, and to expel any citizen by registration or naturalisation who has committed an offence; it extended the Natal Native Code to the Cape Province, giving the authorities the right among other things to jail any African for three months without trial; and, in the Natives (Prohibition of Interdicts) Act, denied Africans the right of seeking an interdict against a government order before the execution of the order, thereby establishing one law for black people and another for whites.

The session ended with the Natives (Urban Areas) Amendment Act, giving over 500 local authorities the right to banish Africans from their areas if they consider their presence undesirable. This is probably the cruellest item on the list for, in theory at least, it places over 3 million Africans at the mercy of municipal officials and leaves them entirely without redress. The government's defence is that these immense powers will be used "reasonably." They are aimed at "agitators" and "trouble makers," it is argued.

But opponents of the measure point out that these are terms capable of infinitely wide interpretation. It may be true that the powers will be used sparingly, but the Act means in effect that any African who criticises the authorities or voices a protest can be exiled by an official without explanation or justification. Legislation previously in force gave urban local authorities the right arbitrarily to turn out of the areas under their jurisdiction any native who could

not prove that he was born there, that he had lived there continuously for 15 years, or had worked for the same employer for ten years. The new Act gives still more drastic powers to municipalities.

Officials are now allowed to banish without inquiry or explanation any native whose presence in the area they consider to be "detrimental to peace and order." The Act is clearly aimed at African politicians, and provides that if they defy municipal banishment orders they may ultimately be committed to work colonies. The Act does not specify where such exiles are to live once they have been expelled.

The Minister of Native Affairs justified the measure on the grounds that many local authorities had asked for such powers. They claimed that a dangerous situation existed in some of these locations, and asked the state to use its powers under the Native Administration Act to "remove the leaders of the agitation." But the state, replied Dr Verwoerd, would be in an extremely difficult position if the idea got abroad that it would remove every native about whom a local authority complained.

The new legislation, he added in a memorable phrase, was designed to counter the state of disorder existing in some locations in as gentle a way as possible, and to place greater responsibility on town councils. He thought there might be fewer bannings under the new law than under the old, because local authorities would think twice about removing African agitators "if they had to contend with public opinion themselves, and could not simply throw the onus on the state." The tragic fact, of course, is that as often as not white public opinion could not care less about such matters; and African opinion is largely inarticulate and tends to subside into bitter and lasting resentment and anger.

Critics of the new Act emphasised its inhumanity. They said that if a dangerous state of affairs in fact existed in urban areas, as Dr Verwoerd alleged, then the way to overcome it was not to take draconian powers and banish the leaders of the people. The government should rather try to win the co-operation of the African people, and seek to encourage the emergence of a responsible leadership among the more moderate elements. These people would be on the side of law and order; but the Minister was estranging the leaders and driving the irresponsible elements underground. The resentment which legislation of this nature produced could be very dangerous.

France's Hopes of Enrichment

FROM OUR PARIS CORRESPONDENT

DESPITE the rumbling of inflationary pressure as the Algerian crisis strains the French economy, the government economists evidently remain optimistic. They have just set the ball rolling for the preparatory work on the third Monnet five-year investment plan (for 1957 to 1961) with two reports that mark new departures in French economic planning. One, on Brittany, is the first of a series of regional development plans designed to combat the tendency of France's production to accumulate in a

few places like Paris or Lorraine, with the result that the advanced areas are congested and the backward ones depressed. The second is an exercise in forecasting the course of the French economy during the next ten years. It predicts an increase in the national output of between 48 per cent and 63 per cent by 1965, according to which hypothesis is accepted about the increase in productivity.

In the seven fat years since 1949 the national product has grown by a third, slightly less than the slower rate of the forecast; so this may fairly be called optimistic. But the report's value lies less in its predictions, for which the experts themselves make limited claims, than in its clear indications where the effort will have to be directed if anything like the progress of recent years is to be maintained.

Though today there is a renewed threat of rising prices and trade deficits, the planners assume, as they must, a steady growth of the economy, with full employment, a stable franc and a balanced trade account. The background is completed by the likely changes in the working population. France's teeming postwar children will probably stay two years longer at school, so the labour force will grow only moderately, 600,000 workers joining the present 19.2 million. But industry is likely to gain a million workers at the expense of agriculture, so that by 1965 there will be twice as many people in factories as in fields. This implies only a slight intensifying of the current migration towards the factories. The balance of population between agriculture and industry, which has long been one of the basic facts of French society and politics, would decisively shift.

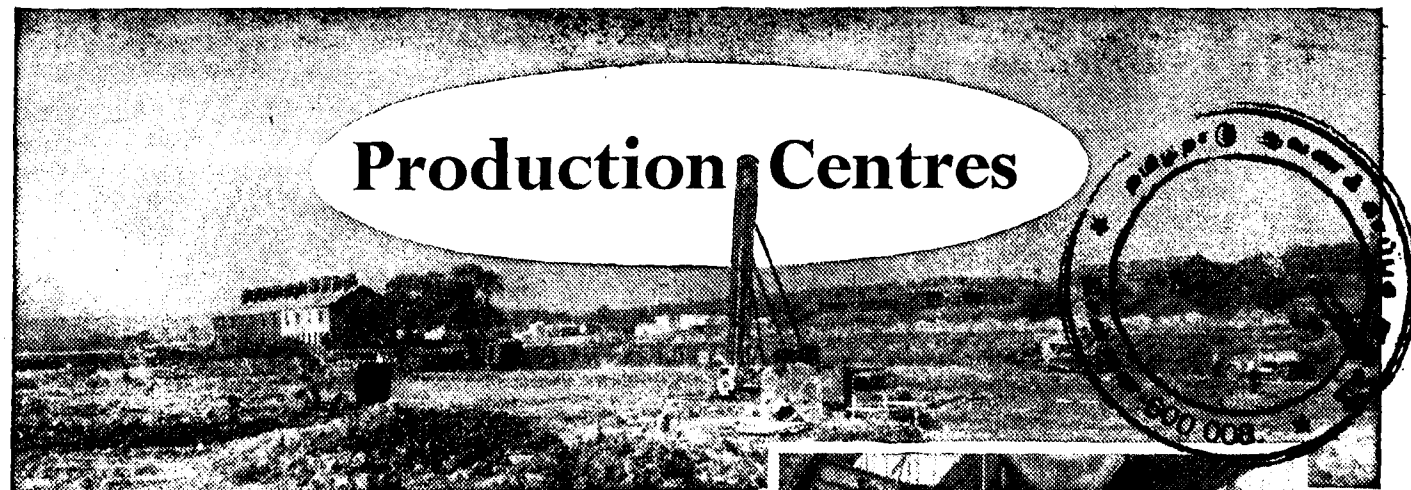
Optimism on Productivity

The main assumption of the economists is their estimate of the annual growth of productive efficiency. They put it at 3-4 per cent annually, lower than the exceptional growth of the last two years but higher than the British average over the last ten. They think these rates reasonable for agriculture because the falling number of rural workers will be matched by a big extension of the use of machinery on the farms (large-scale mechanisation began only two years ago). They hope for equally high rates in industry, mainly on the score of recent performance and of the big investment programmes of a few leading industries (motor cars, chemicals) where productivity is growing particularly fast.

The economists have estimated how such an expansion might change the shape of consumption, foreign trading and investment. First, the demand for domestic appliances and vehicles would about double, outpacing the growth of demand for other things by several lengths. The engineering industries would have to expand accordingly.

Second, though France's dependence on foreign trade would in general continue to fall (from 11.5 per cent to 10.5 per cent of a rising national output—a low proportion compared with Britain's, and a safer one) exports of manufactured goods must more than double and agriculture must find new ways of disposing of large surpluses of cereals and meat.

Third, to meet all these requirements (and to build the essential 320,000 houses a year), investment must be raised from 18 per cent today to 19.4 or 20 per cent of the annual national product. In particular, investment in machinery must be raised by anything from 60 per cent to 90 per cent. This means a return to at least the rates of investment which



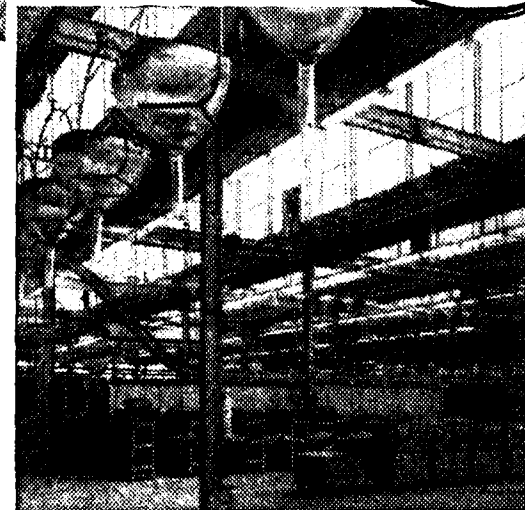
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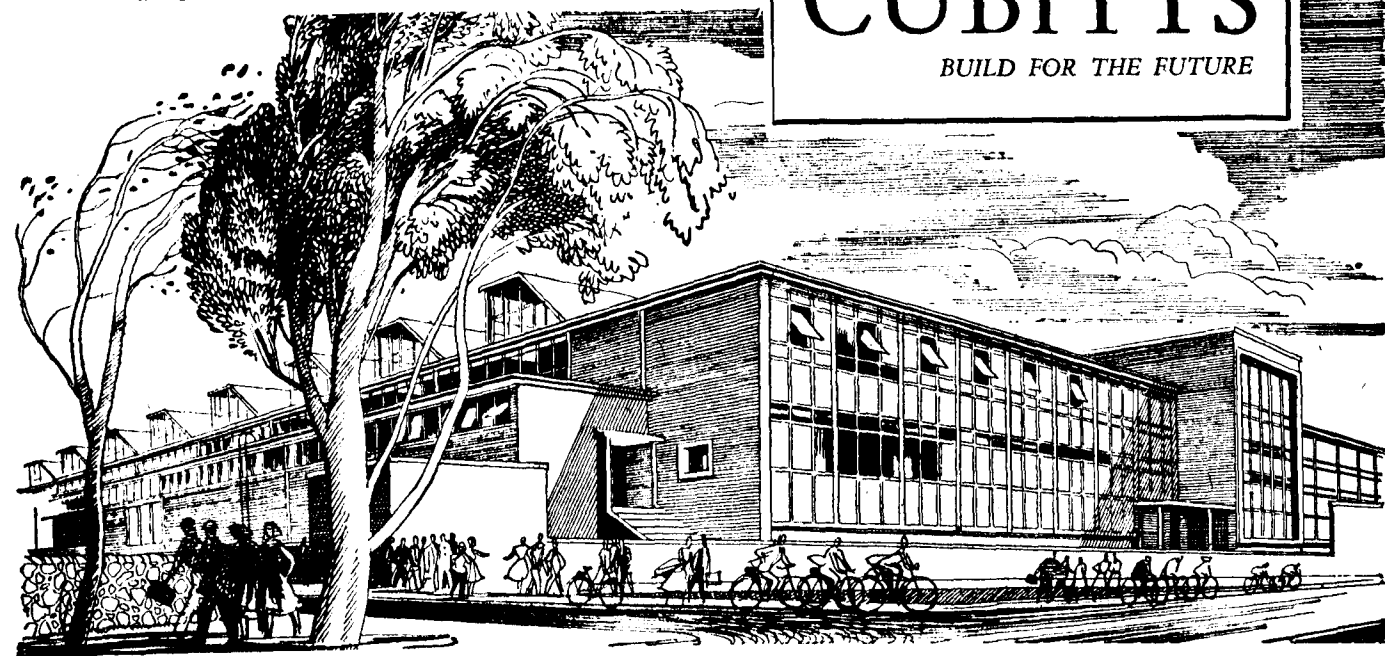


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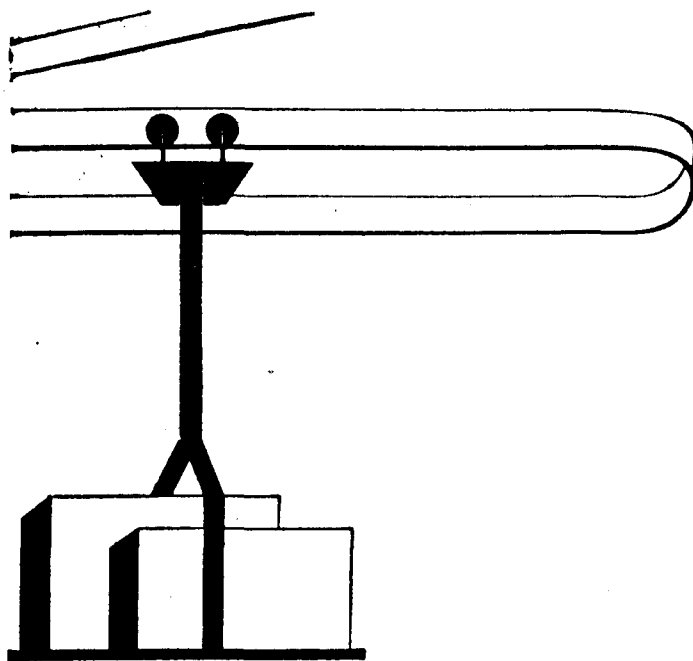


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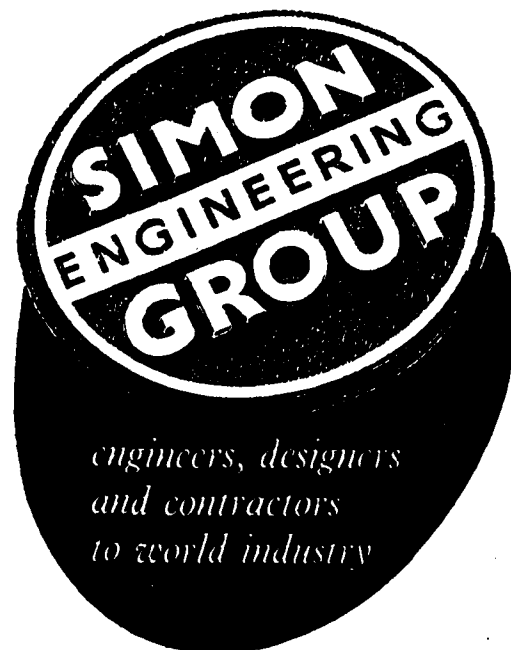
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existed before M. Pinay's anti-inflationary cuts in 1952. The one major problem on which the report gives no clear lead is the need for engineers and skilled workers. Yet France has only 90 engineers per million inhabitants, against 237 in Britain.

The planners' forecast is, in theory, reasonable. Though the projected rise in productivity is high, France is behind-hand in many sectors, especially those with a future, like engineering. Unfortunately, the necessary "massive industrialisation" is handicapped because the government's share in the financing of investment has fallen since 1949 without private firms having invested more heavily instead. The government can still direct investment in the nationalised industries and, to a lesser extent, in agriculture to meet long-term needs. But, to take a single instance, it is disconcerting that, in a period of expansion, the industries producing capital goods seem to have expanded less than the average—a sign of the government's problems in setting private industry on the required foat.

Though, during 1956, industrialists have shown greater eagerness for government credits, the government's power to direct investments is unlikely to increase considerably. In any case, investment is not the only key to transforming French agriculture so that it can compete with the Danish and Dutch on the British market, or the engineering industries so that they can double their exports in the teeth of British and German competition. Agriculture must be "industrialised" and industry itself grouped in fewer, larger and more effective units. The prosperity of the last two years has helped to spread notions of productivity which most Frenchmen thought of as American barbarisms five or ten years ago. But these still represent only inroads on old habits, not a new attitude.

The barriers set up to protect a high-price economy tend to perpetuate the inefficient producer. Lowered gingerly in prosperous times, as during the last two years, a new alarm sends them up again. This is one of the insidious dangers of the Algerian crisis. For until France is opened to foreign competition, the odds are heavily on her falling, in the long run, further behind her more industrialised neighbours, especially Germany. France might gain more benefit from a European common market than many Frenchmen at present suppose.

The Capricorn Answer for Africa

FROM A CORRESPONDENT IN CENTRAL AFRICA

THE Capricorn Africa Society's concept of a community stretching over a vast area of Africa south of the Sahara, free of race discrimination, with a common citizenship, a common voters' roll and one loyalty to the Crown, has posed a question to all Africa. Can this ideal be translated into practical politics and gain the active support of the peoples of Africa, or is it only a desperate and forlorn attempt to withstand the powerful forces of racial nationalism which threaten to engulf Africa today?

Such is the intensity of racial feeling on the African continent that every serious proposal for improving the situation merits the most careful scrutiny. The Capricorn

contract is a case in point. The contract, composed over a number of years by citizenship committees of the Capricorn Africa Society in Kenya, Tanganyika, Southern Rhodesia, Northern Rhodesia and Nyasaland, was ratified last weekend at a convention at Salima, in a beautiful setting on the shores of Lake Nyasa. To this convention came 150 delegates of all races, from East and Central Africa and from the United Kingdom, to meet under the chairmanship of Capricorn's founder and president, Colonel David Stirling.

The contract consists of six precepts and five provisions. The precepts define "the basic and permanent principles which shall be written into the new constitutions of any of the (Capricorn) territories on their attainment of full self-government." They say *inter alia* that all men are born equal, that the rule of law and the system of private property should apply equally to all, and that there should be one common electoral roll; and they go on to affirm that "the vote is not a natural right, but a responsibility to be exercised for the common good."

The provisions embody "our conclusions on the means by which statutory effect can best be given to the precepts in the fields of electoral law and land reform, and on some considerations which should govern policy in the fields of labour relations, education and immigration." Universal suffrage is rejected in favour of a qualified franchise, and the principle of the multiple vote is firmly upheld. The decision to stand by multiple votes for those who can earn them is already being strongly challenged on many sides in East and Central Africa, and is certain to prove a thorny issue for the Capricorn Society. At least one prominent member and observer at Salima declined to sign the contract because of a fundamental objection to multiple voting.

So far as the convention was concerned, some of the liveliest discussion centred around the proposals for land reform and labour relations. In terms of the final decisions taken, individual land tenure is to be the general rule for all races, but where tribes wish to maintain their present systems of landholding the state is enjoined to move gradually and with great care. All land at present occupied by Europeans would gradually be thrown open to all races and land at present occupied on a communal basis by Africans would gradually be made available for purchase—by Africans only in the first place, and thereafter by persons of any race. The contract concedes that legislation to carry out the proposed land reforms will in some cases involve the abrogation of treaties and solemn pledges to various communities (the Barotse are a case in point), but it is silent about how this delicate matter is to be handled.

Provision 3, on labour relations, affirms that reforms in the field of labour relations should depend primarily on negotiations between employers and employees. If the state is to intervene, it should do so in such a way as to ensure, for example, that there is equality of opportunity of trade apprenticeship and training, that membership of trade organisations is not denied to anyone on grounds of race, and that there is equal pay for equal work. This clause was inserted despite the contention of certain delegates from the Northern Rhodesian copperbelt that "equal pay for equal work" was a bogey often used to mislead the African worker.

Many impressions remain of this remarkable gathering. The note of urgency of the "keynote" speeches preceding

the formal business ("this is not only a unique opportunity for Africa," said Herbert Chitepo, the first African in the Rhodesias to become a member of the Bar, in a speech read for him, "it is also the last; for if we cannot succeed together, Africans will be driven to adopt open racist nationalism"); the fervent loyalty of the Africans to the Crown; the unanimous decision that English is to be one official language in Capricorn territories—all these were notable. At a press conference at the end of the proceedings, Colonel Stirling set forth his programme. The present membership of 5,000 is to be augmented by a campaign for "mass membership" in all the territories. The society will not enter politics itself, but its members are free to do so in their private capacities. It hopes that one or more political parties will embrace its principles. Priority will be given to Kenya, where an intensive six weeks' campaign on behalf of the Capricorn Society will precede the European-Asian elections in September. Colonel Stirling thought there was a fair chance that the United Tanganyika Party might adopt the Capricorn contract and was confident that the society could put a better foundation to federation in Central Africa than "partnership."

The Crossed Spoon and Fork

FROM OUR PARIS CORRESPONDENT'S WIFE

FROM Whitsun onwards, France is a-shuffle with foreign tourists, heading mostly for their annual beakerful of the warm south, and bringing it nowadays about £30 million a year. France is the world's greatest beneficiary from the age of popular tourism. The Swiss in their smaller country earn more per head from tourists; but then, one can see them making the effort. France accepts its £30 million more regally as tribute from captive, migratory tribes. Until recently the French, always inclined to think that the proper study of a Frenchman is France, used—understandably enough—to travel little outside their own country, and evolved a magnificent set of instructions about how best to look after themselves there. These instructions, endless practical permutations about modest or luxurious sleeping and eating, are bound up in the fat, red, rather dowdy volumes of the Michelin guide to hotels, restaurants, and (more casually) places of interest, which thousands of Frenchmen carry as a matter of course, and which is perhaps the only guide a travel-snob should carry publicly. The Michelin is one of the few French institutions that immediately make common ground between the Frenchman and the foreigner. Two of its categories—"excellent cuisine, worth a détour" and the supreme "one of the best tables in France, worth a special journey"—confirm at once for the Englishman, year after year, that he is in another world

Where Brillat-Savarin's become
The priest, the prophet and the book
That kills the Worm by being its cook.

The Michelin has long since transcended its origins in publicity; many of its foreign devotees are quite surprised to learn that Michelin also make tyres. The guide began in 1900 as a free publicity leaflet for France's 3,000 car owners; in those days it listed hotels, mechanics and

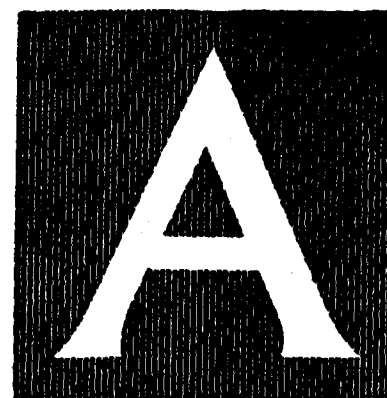
grocers (where one bought the petrol). Its originator, André Michelin, claimed also to have invented the folding map, in 1913. By 1939, the guide was printing 100,000 copies; this year, 255,000; next year there will be 300,000. It enjoys what is probably the best-run deficit in France: its production costs are twice its selling price, and its calculated scarcity-value means that it is always unobtainable by September, so that the market is cleared for the next edition.

The compilers receive about 15,000 letters annually from tourists. Most of these are commendatory, arguments for adopting or upgrading some little place whose virtues the writer feels he has discovered. The British (with an admixture of Americans), having a much stronger tradition than the French of "letters to the editor," write as many as one-fifth of them, and those among the most detailed. Like everyone else, the British are apparently moved to write chiefly about food; and then about the nature of the welcome they receive in a place. (With philosophic resignation they do not, it seems, complain much about lavatories, and there is no likelihood of an addition to the guide's cabalistic signs about hotel appointments.)

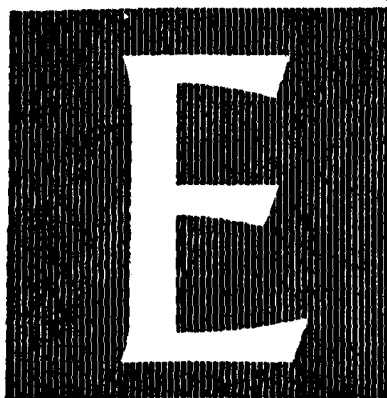
All these letters are filed against the name of the establishments involved, and used as basic terms of reference by the guide's seven inspectors. The inspectors each take a different region of France every two years; thus the guide is revised for the whole country every two years, and in theory an inspector returns to a hotel only once in fourteen years. The Francophile's vision of these seven men, eating their way round a virtuous Cockaigne in an interesting incognito, is dispelled on discovering that they inspect, on average, ten establishments a day. At many they announce themselves, and make a quite overt, humdrum inspection. At others, they eat or stay the night discreetly and, in cases of doubt about grading up or down, may call in second opinions from their colleagues. In this way between three and four hundred hotels and restaurants change rank every year.

The compilers are aware that their verdict may make or break a *patron's* prosperity, and that their responsibility is greater because their list is, inevitably, selective. Of the 80,000 places claiming to be hotels and restaurants in France, about 15,000 reach tourist standards and the Michelin lists some 9,000. Since 1945, it has recorded, experts say, along with an improvement in hotel amenities, a decline in restaurants, where prices of the truly *haute cuisine* go beyond today's average tourist, overheads are heavy, staff wages low, and young men disinclined to apprentice themselves as chefs. The decline is relative, of course; many foreigners may not notice it. Paris and Lyons remain the great gastronomic centres; others, notably the Landes and Normandy, which has never recovered from the invasion, have fallen off.

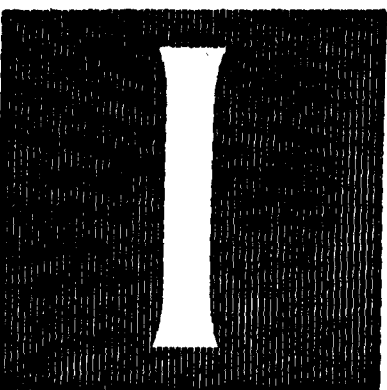
Since 1945, even the French have succumbed to curiosity and are travelling abroad much more. The Michelin has followed them. There is now a good small guide to Spain, one to Belgium and Luxemburg which next year is to be extended to the whole of Benelux and, at the request of the Italians, a Northern Italian edition which next year will be expanded to cover all Italy. Next year there will also be a Swiss guide, but to restaurants only—the embarrassment of choice among Swiss hotels was apparently overwhelming. These are signs of the times. When will the Michelin's compilers embark on the self-flagellation of an English edition?



every day



every way



JUNE
2

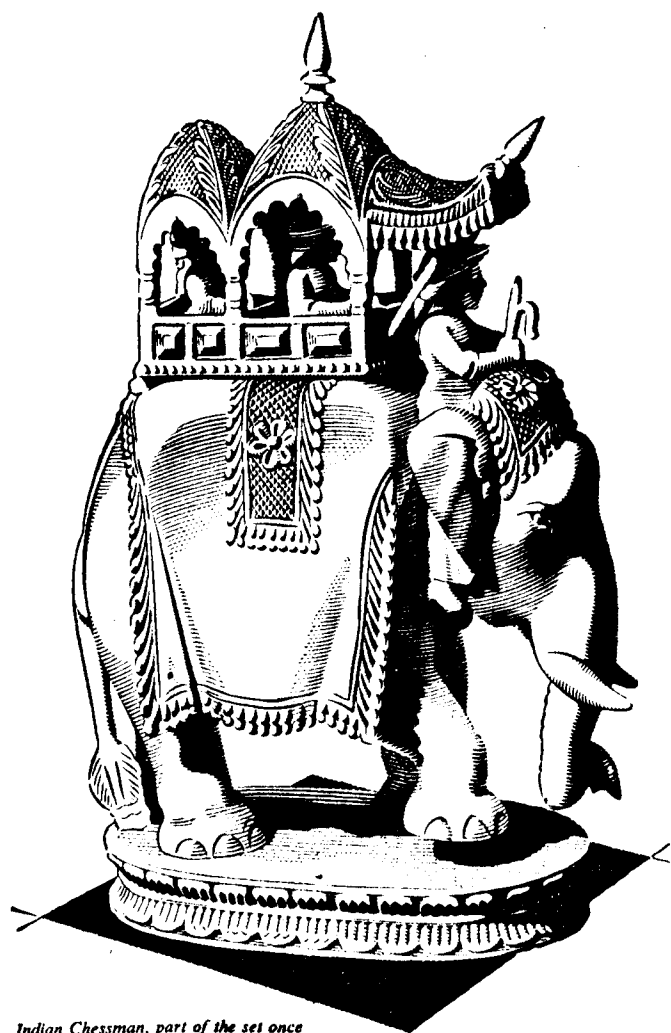
BATH AND WEST SHOW. 'Leading pigs exhibited in all classes of Large Whites,' reports the Farmers' Weekly, 'showed good type, with length, clean shoulders and well filled hams.' Such pigs, when small, are reared under B.T.H., Metrovick or Ediswan infra-red heaters. On the farm, machinery is powered by electric motors, cowsheds lit by Mazda and milk cooled by Coldrator. Tractor batteries are made by Ediswan, and Birlec heat treatment hardens the ploughshare.

JUNE
3

THIRD-CLASS TRAVEL. Third-class rail travel is abolished as from today and the days of the steam train itself are numbered. As part of the plan for the modernisation of British Railways important orders have been placed with Metropolitan-Vickers and B.T.H. for diesel-electric locomotives and power equipment.

JUNE
4

CYPRUS. Field Marshal Sir John Harding, the Governor, returned to London last night in one of the many aircraft of Transport Command to be fitted with B.T.H. magnetos and invertors. Cyprus relies almost entirely on electricity generated and distributed by Metropolitan-Vickers equipment, while Siemens Brothers have supplied the bulk of the trunk telephone equipment on the island.



Indian Chessman, part of the set once owned by Clive of India.

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THE BUSINESS WORLD

Chemicals from Oil

WHEN labour politicians talk of taking "relevant sections" of the chemical industry into public ownership, they do at least admit that it is an industrial complex impossible to define. What "relevant" means they do not say; and indeed this vast, amorphous set of processes is easier to classify not by what it makes, or how it works, so much as by the raw materials that its different sections use. The group of chemicals that get their basic materials from oil is one such, and it is now in an unusual state of ferment. A second major round of investment is in progress, calling for a substantial expenditure by a variety of companies, some in the chemical business, some in the oil business, and some in both.

Petroleum chemicals cover a spectrum that takes in fertilisers, farm chemicals, textiles, plastics, paints, solvents, synthetic rubber and detergents; they provide the basic raw materials for many of these products or intermediate chemicals for their production. The main products of the petroleum chemical industry can be narrowed down, at the risk of over simplification, to the more complex plastics, synthetic textiles (which are plastics in the form of yarns) fertilisers and synthetic detergents. Many operations have for technical reasons to be carried out under one roof, yet the manufacture of petroleum chemicals, in economic terms, is a sequence of clearly defined steps. At the end of each step a manufacturer can, if he chooses, bring his own operation to a halt and market the chemicals in the particular form that they have then reached. The margin of profit becomes steadily higher with each step from the raw material towards the complexity of the ultimate product; but the marketing hazards increase at each successive stage and the manufacturer has the choice between a small unit profit and few selling difficulties or a larger profit per unit and the headaches of marketing to final consumers.

The development of petroleum chemicals in Britain mirrors two sharply conflicting views about this choice

between alternatives. On the one side stand Imperial Chemical Industries and Shell, two companies that start their operations with crude oil fractions and carry them through to the final product—textile yarns, insecticides, plastics and detergents, ready for use. Both sell substantial quantities of intermediate chemical products from the intervening operations but neither company has hesitated to follow the products of their laboratories into the final markets, however foreign these might be to their normal operations.

On the other side are companies like British Petroleum, Distillers and Esso, giants in their own fields, which have decided not to undertake the complex operation of producing petroleum chemicals from start to finish, but instead have formed associations among themselves using partly or wholly owned subsidiary companies to carry out different steps in the sequence of production so that each operation is kept compact and concentrated. An association of this kind centres around the British Petroleum refinery at Grangemouth where gases and feedstock from BP's refinery pass to a chain of chemical plants wholly or partly owned by at least five companies—British Petroleum itself, Distillers, Monsanto, the Oronite Chemical Corporation (a subsidiary of Standard Oil of California) and Union Carbide.

A similar partnership is now developing around Esso's Fawley refinery. Until this year, Esso concentrated on the completion of Fawley as a refinery, not as a source of chemicals. In the spring, Esso announced that a £9 million plant was being put up to provide chemical raw materials, much of which would be fed to the neighbouring plant to produce 50,000 tons of synthetic rubber a year that the International Synthetic Rubber Company (itself owned by the four major tyre manufacturers) is to build. Some of the Fawley refinery gases will also be fed to new plants that Monsanto will build by the refinery, details of which are still being worked out between the two companies.

These developments at Fawley open up the last source of petroleum chemicals of real size. The chemicals are made from oil fractions like naphtha and kerosene. At a primitive stage the refinery burns these for power or even to waste; at the sophisticated stage, gases from them are separated, purified and converted into chemical raw materials. One other way of getting these gases is to instal a gas cracker at the chemical plant, as ICI has done at Wilton; but a company below the biggest size often prefers to leave these operations to an oil company which can carry them out at the refinery. The Shell Chemical complex at Stanlow has been built up on the use of Stanlow's refinery by-products. Esso does not intend to go as far as this. The Fawley scheme in substance involves a highly flexible arrangement to extract and prepare refinery gases as raw materials for subsequent chemical operations—and it could offer a wide range of gases for making chemicals if the demand arises. To go beyond this first stage would involve Esso in much heavier capital expenditure than the £9 million now contemplated; the petrochemical technicians have a rough rule of thumb that for every £ invested in plant to recover the gases at the refinery, £3 to £4 must be invested in plant to transform them into chemical intermediates, and the 3 to 1 ratio holds all the way down the chain.

★

Thus the Fawley scheme will bring a basic expansion in the capacity of the petrochemical industry calling for further extensions by companies taking its products, but it is far from being the only expansion now in progress. The exact scale is difficult to measure. Much of the expansion is devoted to getting one major raw material—ethylene. Two other gases, propylene and butylene, also give chemicals; but “ethylene is gold”—the coveted gas that yields all the high profit earning chemicals: industrial alcohol; tetra-ethyl lead; styrene for synthetic rubber, paints and plastics; acrylonitrile for new synthetic yarns; ethylene glycol for Terylene and anti-freeze compounds; and that fabulous plastic, polyethylene. There is a distinct scarcity of ethylene.

Fawley's plans are flexible enough to provide an output of between 10,000 and 40,000 tons of ethylene a year (the rubber plant will take butadiene made from butylene gas). But ethylene capacity at Grangemouth, feeding the Distillers-Monsanto complex of plants, is being doubled from 30,000 to 60,000 tons a year. ICI's capacity at Wilton is expected to be doubled by the completion of a new cracking plant to between 50,000 and 60,000 tons a year; in this specialised field of petroleum chemicals ICI is one among several big producers. The biggest expansion of all appears to be planned by Shell Chemicals, which became a major producer of ethylene products following its purchase of Petrochemicals last year; very little ethylene has been

worked up at Stanlow, where operations were based largely on propylene and butylene.

Petrochemicals, like Wilton, had its own gas cracker and this has opened a source of ethylene to Shell Chemicals and brought it for the first time into the complicated field of plastics, which it has not previously made in this country. At the same time, Shell Chemicals has also gone into a large-scale venture in fertilisers, where the resources of Fisons are linked with those of the Shell Haven refinery to produce nitrogenous fertilisers. Again, the large production of ammonia at Shell Haven puts Shell Chemicals only a step away from production of quite a different type of plastics—the ureas and melamines used for hard and durable mouldings which are a far cry from petroleum chemicals as usually understood. Shell now plans, by extending partly at Petrochemicals and partly at Stanlow, to produce more than 80,000 tons of ethylene a year, an ambitious figure.

★

This simultaneous expansion by four big groups in roughly the same products shows remarkable confidence in the continuing buoyancy of the market. But it is based at least in part on knowledge of the remarkable technical properties of the products that ethylene can yield. The ICI patents on the plastic, polyethylene, have just expired. Some of the new plastics introduced since the war have proved less successful than was hoped. Polyethylene, however, goes from strength to strength. One or two washing bowls have come to sticky grief because their users ignored the fact that the temperature limits of polyethylene are something below boiling point, but apart from these misunderstandings, polyethylene is bouncing successfully from flexible bottles to insulated cables and from cables to water pipes and from pipes to buckets. The chemical industry holds the view that polyethylene and plastics like it can be built into major construction materials. Plastic pipes that neither freeze nor need joints could take the terrors out of plumbing and provide a start for much wider applications. ICI's huge plant at Wilton, sole producer while the patents lasted, will be supplemented, now the patents have expired, by a polyethylene factory that Union Carbide is building at Grangemouth; Monsanto's discussions with Esso at Fawley centre round the same subject.

Much interest in ethylene has been created by a new “low-pressure” process for producing polyethylene that will have a higher melting point than today's standard. This is the Ziegler process, bought in this country by Petrochemicals and now owned by Shell. Ziegler polyethylene can resist boiling water so that it could be used, among other things, for hot water pipes where ordinary polyethylene can only carry cold, or for milk bottles which must be sterilised between use. Shell Chemicals will have about a thousand tons to sell by next year and the improved properties are

expected to command a higher price. A comparable process developed by Philips is owned in this country by Distillers, who have not yet shown their hand.

The fight for the polyethylene market promises to be as fierce as the battle for detergents has been, although less highly publicised. With consumption now running at 200,000 tons a year, the chemical industry tends to regard the detergent market as satisfied. Synthetic textiles it regards as an inevitable development but one that may be some time coming; hence there is no serious challenge as yet to ICI in this field,

Business Notes

Hot Ice on the Plateau

IN one important sense, perhaps, the Central Electrical Authority's request to area electricity boards “not to increase their tariffs despite the latest substantial increase in the price of coal” deserves approval; it appears to be the independent act of a nationalised industry. The fact that it plainly runs counter to the price policy that the Minister of Fuel and Power has applied with marked courage and economic good sense in the case of coal is another matter. That inconsistency is only mitigated by the fact that large electricity consumers whose charges vary with the price of coal will pay more. The CEA has reserves, which it expanded last year by nearly £19 million, amounting to £60 million at March 31, 1955. Presumably it will have a smaller surplus for the year to last March, and in the current year its surplus is bound to be lower still. So the policy on which the CEA embarked of providing more of its capital needs from current earnings is frustrated—at a time when the Exchequer has undertaken direct responsibility for the whole of them. Consumers pay less than they should to meet the true costs of power, and public funds have to invest more than they should in the industry. Here is a double jeopardy for a genuine campaign against inflation. It is a macabre joke that three of the twelve area boards are forgoing increases in electricity charges that they had already announced, not to cover the latest coal increase, but the increase that was made in the summer of last year.

Among the gas undertakings, the South Eastern Board has promised not to raise its charges before March next year. The North Thames Board has announced an increase of 2d. a therm from August 1st and a number of other boards (all of which, it will be recalled, are largely autonomous, unlike the area electricity boards) have increased their charges or have made known their intention to do so. Finally, the coal board (anxious, perhaps, to get a good mark after being blamed for all the trouble) has announced that it will do exactly what it promised a month ago—not increase pithead prices in the next twelve months “unless

although Monsanto have American-developed synthetic yarns in reserve for exploitation when the market looks promising. The unbounded optimism that seems to characterise the petrochemical industry may surprise the layman who can see no visible scarcity of plastic materials in every guise on every counter. But these are not the markets that will matter in the end. The big prospect is that plastics should become accepted heavy-duty materials. They are well on the way to this in the electrical industry. The building industry may be the next target.

something quite unexpected or exceptional happens.” The increases in coal prices made at the beginning of this month were intended to cover their full costs this year and next and to recoup part of the board's accumulated losses.

It remains to be seen whether these stabilising gestures, which are bad economics and dubious psychology, will have any real effect in countering inflation and abating wage claims. To make a thing too cheap in relation to its real costs multiplies the distortions that inflation causes; it does not correct the disease at the root. It is frightening that, over such a large area of the economy (for railway charges are being similarly kept down at the Government's behest) the real costs of these staples of industry are not fully felt by consumers.

Waiting for the Government

WALL STREET has been holding its own; sterling has been less than steady against the American dollar, weakening in the week ended Wednesday from 2.80½ to 2.80¾ but gaining fractionally against the French franc and the guilder. Commodity prices have shown no clear evidence of trend. It has not been a week in which the Stock Exchange could be expected to show new signs of life, nor has it done so. The *Financial Times* industrial share index has slipped away from 179.6 to 176.9, while gilt-edged have dragged slowly downwards with only small selling but with plenty of evidence that money is still by-passing the market into local authority mortgages.

No other behaviour could be expected on the eve of a substantial refunding operation, for the line that the Treasury, the Bank of England and the Government broker take over the replacement of the £824 million of 2½ per cent National War Bonds 1954-56 must have an important bearing on the future of interest rates. Such minor entertainment as has been provided for the investor in this dull period has still been instructive. Trinidad Oil has been in

the process of changing from the most speculative counter of the oil share market into a money stock. Speculative money has therefore been coming out from it and going mainly into other oil shares, while another sort of money—the kind to which a quick tax-free profit of a net 2s. on a share costing 76s. is attractive—has been climbing in. That is one type of investment for which there is still a demand. The start of dealings in 5s. ordinary shares of Norcross, the iron ore company, showed also that investors still have a taste for the small industrial share that seems to have possibilities. The shares, placed at 5s. 3d., opened on Monday at 11s. 9d. They have since reached 19s.

But the most significant of the week's operations, small though it is, is the placing by J. and A. Scrimgeour of £1 million 5½ per cent Warwickshire County Council Stock 1964-65 at £98½. The stock with a gross redemption yield of 5½ per cent has an appeal to certain gross funds, though not to insurance companies. The cost to the Council is approximately £5 12s. per cent. Warwickshire thus borrows advantageously compared with the 6 per cent for 7 years that it might have had to pay. Two points of interest are that the 5½ per cent level in gross redemption yield has now been reached (though there is no indication that any large sum could be raised at that price), and that Warwickshire has been allowed to come forward while the queue of borrowers has been held to make way for the Government. That permission has obviously been granted because the loan is small and because no disturbance will be caused to the market.

Trinidad Oil Debated

SINCE the Chancellor announced on Thursday last week that the Government would not oppose the offer by the Texas Company for Trinidad Oil shares (subject to the furnishing of the specific undertakings he then outlined) the promised white paper has been published and the Government has survived, by 315 votes to 247, a motion of confidence. The Chancellor's speech on Wednesday was comprehensive and consistent. He could not bring himself to refuse benefits to the people of Trinidad on grounds of what he called "the old colonialism"; there was no practical alternative that other instrumentalities could be found to do what the Texas Company had undertaken to do for the island; the obvious attraction to Texas in the deal, he thought, was the development of business in the British market through the Regent organisation, and that implied more competition in the British market.

Having admitted to "a sense of regret, even dismay" when he heard of the proposal, he argued effectively for the largest flow of American investment into the sterling area—though with a touch of complacency, surely, on recent achievements in providing British capital to the outside world. That inadequacy of overseas investment is the crux of the Trinidad Oil deal; it can be partly blamed on taxes but even more on the shortcomings of economic policy that make saving absurd or impossible. If other people are prepared to do what the British people and their governments are not prepared to do, it is ill-mannered (and might be dangerous) to hold up these benefactors to public insult.

There is a postscript to all this. Mr Macmillan, two days earlier, took occasion to compare the gains made from a

premium bond with the rise in Trinidad Oil shares following the Texas Company's offer. There is, with respect, a considerable difference. The Trinidad Oil undertaking was no doubt fairly valued by the transactions in its shares before the offer was made, on what investors then knew and have since had confirmed. But Trinidad is not the only company whose shares have been undervalued in relation to its potential worth in the hands of another holder prepared to invest more money in it. The capital profits, which in the Chancellor's view carried an element of a lottery which he prayed in aid to support the morality of his premium bonds, are in truth a demonstration of the slowness of investors to recognise the real value of particular shares in an age of inflation and inadequate savings.

Reliefs for Pioneers

IN rejecting some new clauses about the taxation of overseas profits that were introduced towards the end of the Committee stage of the Finance Bill the Chancellor threw important light on the future. He committed himself and his advisers to making a decision by 1957 on the Royal Commission's proposal for exempting the profits of overseas trade corporations and specifically promised action on "Pioneer Industries Concessions" if the major proposal was found unacceptable. It was on the working of these concessions that Mr Butler asked the Royal Commission on Taxation in 1952 to furnish an interim report as a matter of urgency. Many overseas countries, particularly the Colonies, seek to attract new capital by granting some form of tax holiday, but the system of double tax relief nullifies the incentives they are trying to give, and the net result for the pioneer is that he has to pay more British tax at home. The Commission advised that the relief granted by the overseas government should redound, as intended, to the advantage of the taxpayer and not to the Inland Revenue. The point is simple and the grievance clear, but the legislation would be complicated. Should relief be limited to the Colonies, or to the Commonwealth, or extended to the world (and especially undeveloped areas)? How would the United Kingdom credit be calculated? Should the relief be given only when the exempted profits were left to fructify abroad? Mr Macmillan has now given a firm promise that the delay shall be ended and the knots unravelled next year and, further, that the relief will be available on profits earned after April 5, 1956—which is not normally the same as saying the relief will be available against 1956-57 assessments. The cost cannot be estimated but it will not be large; the benefit will, however, be valuable and the Chancellor's undertaking is welcome.

Taxing Overseas Profits

ON the larger problem of exempting the profits of overseas trade corporations, the Chancellor accepted, as sensible people must, the strength of the case of British concerns operating abroad in competition with other businesses that do not have to bear the full impact of British rates of tax. But he advanced two reasons why he could not grant relief at present: the cost of the concession, £75 million, would

completely overthrow the balance of his budget and the effect on the balance of payments would be serious. Whilst therefore he had great sympathy with the arguments behind this "tremendous recommendation" he would not go beyond a promise that it would find a firm place for consideration on his agenda for next year.

When he returns to the subject he will have to resolve a most difficult conflict. Do the practical advantages of exemption outweigh the fundamental objection that it would give preferential treatment to British residents who employ their capital abroad? Is he prepared to give a bonus to the export of capital? Taxes have no friends and a Chancellor is constantly faced with compelling arguments in favour of well-justified reliefs, but with each claim admitted the tax base is further eroded and the burden on what remains becomes heavier. The trouble is not that there are fundamental defects in our tax system but that the burden of taxes is too high. These truisms cannot be repeated too often, but, having been stated, there can be no doubt that British concerns operating abroad have staked a powerful claim; the emigration of companies which cannot afford to pay United Kingdom taxes is too present and painful a symptom to be ignored. When tax burdens are too heavy, sound, fiscal principles have to give way to expediency.

World Bank and Kariba

THE tenth birthday of the International Bank coincides with news of its collaboration in two substantial Commonwealth projects—the financing of the Kariba dam scheme in Rhodesia announced this week and the Tata steel development plan in India of which details are due in a few days. Ten years of active life have passed and so far the shadow of default has been avoided in every enterprise the Bank has financed. Since its total loans exceed \$2,500 million in 41 countries, this record speaks well for the vision and hard-headedness with which the business has been run. A hint of this commercial spirit is provided by the recent announcement that the Bank is raising its rates from 4½ to 4¾ per cent for new loans of up to 15 years and from 4½ to 5 per cent for longer periods. These rates include the 1 per cent guarantee commission. The necessary increase of ½ per cent reflects the recent tightening of rates in most of the world's capital markets.

The first of the Bank's loans to bear the higher 5 per cent rate will be to the Federal Power Board of the Federation of Rhodesia and Nyasaland towards their finance of the first stage of the Kariba Hydro Electric scheme. The loan will amount to the equivalent of \$80 million of which £10 million is being made available in sterling from the United Kingdom's subscription to the Bank's capital and the United Kingdom Government as well as the Federation Government stands in as guarantor of this 25 year loan. The first stage of the Kariba scheme is expected to cost £80 million (though the total cost of Kariba will be much greater). Of the initial £80 million, £28.6 million will come from the World Bank. The remaining contributions will come from the Colonial Development Corporation—£15 million; the Commonwealth Development Finance Company—£3 million; the Northern Rhodesian copper companies—£20 million; the British South Africa Company—£4 million;

Barclays Bank (D.C. & O.) and the Standard Bank of South Africa—£2 million each. The balance will be made up by the Federal Government. Rhodesia is fortunate in that it has already arranged with the Copper Companies to borrow their £20 million contribution at 4½ per cent.

British firms are already deeply engaged in providing the housing and road works and foundations necessary for Kariba. But British competitors are reported to have emerged poorly from the competitive tendering for the project itself. The basic civil engineering contract for the building of the dam itself is expected to go to an Italian group. The transmission work, worth about £12 million, is also likely to go to Italian firms that have been bringing power transmission lines down from the Congo to the Northern Rhodesian copper mines. It will be disappointing but not unexpected, to British electrical manufacturers that they are understood to have been beaten by Continental competitors in bidding for the heavy equipment—turbines, generators and converters—despite their advantage of duty-free entry into Rhodesia as against the 10 per cent import duty which non-Commonwealth imports have to pay. A substantial part of the total expenditure will still be in sterling and should suffice to absorb the proportion of loan facilities made available in sterling. But this does not wipe out the sense of defeat that surrounds the poor performance of the preferentially placed British firms in tendering for equipment.

Tactical Victory for Mr Clore

MR CHARLES CLORE, aided by his two staff officers Mr Leonard Sainer and Mr John Gardiner, is a formidable tactician. He possesses single-mindedness, a nice sense of timing and an ability to read the minds of his opponents. He always holds something in reserve and he takes the initiative and holds it. To these qualities can be attributed the success he claims in securing acceptances of his offer for Scottish Motor Traction from the owners of about 53 per cent of its issued ordinary capital. This figure excludes the shares that Sears Holdings already has in SMT.

Mr Clore went into this battle fully prepared and forced his opponents to conform to his moves. Just before the offer of one 5s. "A" share in Sears for every 5s. ordinary share in SMT was made, Sears Holdings had made a free scrip issue and increased its authorised capital. Before the offer, too, the price of the SMT shares had been creeping up; presumably Mr Clore was following the usual tactic of buying in front of a bid. The board of SMT, with the exception of Sir Andrew Murray, fought back until finally Mr Hugh Fraser made a counter offer, worth at the time of its making a few pence more than Mr Clore's. The worth of the two offers turned on the market price of the shares of Sears and the House of Fraser. At first Mr Clore stood pat on his original offer and the price of the Sears shares rose, tilting the balance slightly in his favour.

To put the matter beyond doubt, Mr Clore a day later said that if sufficient acceptances were received to make the offer unconditional Sears would pay a cash premium of 1s. on every SMT unit assenting to the offer before June 18th. Mr Hugh Fraser came back with exactly the same cash premium offer. But by June 20th Mr Clore was able to announce a victory. He may have won the battle, but he

has not yet occupied the territory, and Mr Fraser, who has left his offer open, and the SMT directors seem to be determined to fight to the last ditch. However long the rearguard action, Mr Clore claims effective control of SMT, and since he has left his offer including the cash premium open until Monday, June 25th, his ultimate holding should be better than a bare majority.

Scottish Motor Traction's interests in garages may perhaps form a natural link with the interests Mr Clore already has in oil importing and distributing through British Oil Shipping and Stevinson, Hardy. But Mr Clore is perhaps most interested in SMT's large liquid assets. He believes in putting idle resources to work. SMT, he has said, will remain a Scottish concern and the Earl of Elgin, whose directorships cover banking, insurance, shipbuilding, engineering and hire purchase finance, has accepted an invitation to sit on the SMT board once it is under the control of Sears. Thus another company is added to the diverse industrial subsidiaries of Sears; others from across the Atlantic may one day come into the fold. But, ultimately, the success of such a group completely controlled by one, two, or three men, whose special skills are financial ones, and covering such a wide range of interests, depends upon the loyal support that the subordinate managers, skilled in the techniques of their own industries, will give the Sears directors. It is a curious empire, more tightly controlled than other industrial finance groups. It is born of inflation that has made capital assets worth bidding for, but it is not necessarily fragile. Its strength will depend upon the dexterity of the managing hand.

Standard and Short Time

It is difficult to see what more the Standard Motor Company could have offered the trade union leaders at the two meetings that have been held since the Minister of Labour first took an active part in their dispute over the redundancy at Coventry. At the second meeting on Tuesday the company made two offers—to give the 2,640 tractor workers already dismissed or under notice the first options on jobs coming available as production builds up in the autumn on the new tractor line at Banner Lane, and to re-examine its present manpower situation to see whether still more labour might be absorbed in the meantime at the car plant at Canley. Standard would presumably have met the first point without formal commitment, and the chances that the second offer will lead to any significant change of plan must be thin. The company has already transferred to Canley 1,200 of the 6,000 workers formerly employed on tractors and it is retaining a further 2,000 assembling the old tractor model from the stock of parts specially built up. The unions' suggestion that many more workers might be reprieved by further rota shift working would appear to be quite unrealistic.

Up to a week ago 300 of the 1,325 workers so far laid off had been offered other jobs by the Ministry of Labour, and the Minister thought that more might have found jobs or expected to do so since he could "trace" only 700 claims to benefit. The prospects of finding other work in the Coventry area seem to have become even better since April when all 11,000 workers at Standard came out on strike. There are signs that unemployment and short time working

have fallen in recent weeks. For manufacturing industry as a whole the number on short time in the middle of June is estimated to have been 90,000. This figure is not strictly comparable with the last Ministry of Labour estimate of 65,500 in February; but in the motor industry the numbers have dropped from 52,000 at Whitsun to about 30,000 a week ago, and one or two other industries located in the Midlands are also working more fully.

HP Squeezed

NO doubt can now exist that the latest batch of hire purchase controls, introduced in mid February, are squeezing hard. The latest figures from the Board of Trade give the evidence. On the retail side the index number (basis December, 1955 = 100) fell just one more point to 65. This compares with 69 in January (the latest full month before the present restrictions) but with 119 in October (the first month for which official figures are available). It is now estimated that the volume of hire purchase debt outstanding on the retail side ("at least £450 million" at the end of 1955) has dropped by 8 per cent since December. Hardware, radio and electrical goods shops showed a sharp decline, their index falling from 60 to 55; furniture and furnishing shops did a steady hire purchase business though their total retail sales were declining; and department stores record a sharp increase in hire purchase trading.

On the finance house side of the index the evidence is much less conclusive. The index number for new credit extended, on the same base, rallied from the low point of 90 in March to 96 in April; this compares with 125 last October, though as a result of the earlier fall the total credit outstanding, which moves much less quickly than new credit extended, continued slightly to decline. The finance house figures are heavily weighted by the motor trade and the start of the seasonal buying produced rises for private cars and caravans. One present limitation of the Government figures is that they are too recent for a seasonal pattern to be established, but from other sources it can be inferred that the spring rise in hire purchase motor sales has this year been smaller than in recent years.

The latest restrictions have now been in force for four months though the official figures show their working for only two and a half months. The question naturally begins to arise whether traders have yet discovered legal means of avoidance. The evidence so far is negative. A conviction recently recorded against a motor dealing firm seems to establish that the maximum length of hire purchase contract cannot be increased nor the burden of payments lightened by the expedient of failing to collect the instalments regularly and promptly—though it is not suggested that a trader who had to leave an instalment outstanding beyond the maximum length of the contract because of some sudden misfortune to his customer would be prosecuted. Though no figures are available traders report a substantial increase in the credit sale agreements extending over periods of less than nine months. That was a loophole that the regulations deliberately left, and no one need be surprised that it is used. In general however the evidence suggests that the controls are working much more effectively than hire purchase traders like.

MAKING
BRITAIN
GREATER

Britain turns to Oil

URGENTLY the country needs more electricity, for industry, for the home. Within a short span one-seventh of the nation's electric current will be coming from power stations fired by — oil.

Urgently this country needs more gas, in the home, in industry. A new gas plant, the largest of its kind in the world, now being built will use nothing else except — oil.

Urgently this country needs faster, cheaper, more efficient railways. In the huge modernisation scheme newly-begun by British Railways priority has been given to dieselisation, and that means — oil.

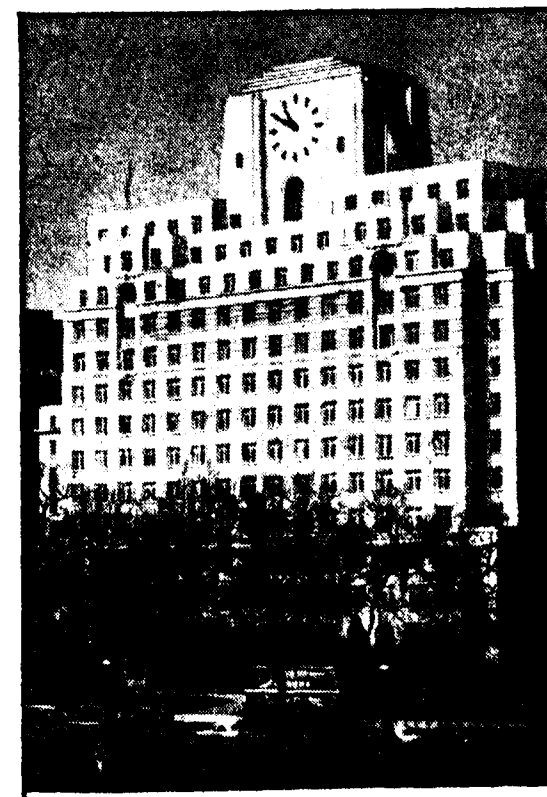
Big decisions these, high-level decisions, long-term decisions. They confirm oil in its new status. Once used primarily for traction and no more than an auxiliary of coal in wider industrial uses, oil now becomes complementary in the fullest sense to Britain's traditional power source, coal.

It is an inevitable development. Other power sources, notably coal, though stretched to the utmost, have been unable to meet the nation's swiftly-growing demands. At this critical halfway juncture of the 20th century, oil is the only power source readily available in rapidly expanding quantities.

Oil is the key because it can meet the new obligations thrust upon it and more, much more, without risk of over-reaching its resources.

National policy, accepted by all parties, is to use more oil. In line with that policy great new refineries have been built in this country during the last ten years. Oil has taken its place alongside coal as a full partner; its permanence is assured.

Oil has to do more, considerably more, if Britain is to withstand the challenge of harsh competition from rival nations where machine-power per man is higher, where manpower is cheaper. It has to help combat waste, wasteful methods, wasted manpower.



Shell-Mex House, on the Embankment in London, where decisions are now being taken vitally important to our future.

Incredible in thinking of oil to recall that within a lifetime responsible men were disputing the Royal Navy's plans to convert from coal-burning ships to oil burning. Yet bitter was the controversy when the First Lord, then plain Winston Churchill, announced the change. That was some 50 years ago, soon after the first vessel to carry a cargo of oil to Britain had sailed into the Thames.

How many people appreciated the significance of that first cargo? It was a pioneer

enterprise, an adventure typical of the men behind it, the men who went on to build the giant Shell-Mex and B.P. organisation.

A few hundred tons of oil in that first cargo, that was all. A changed picture today when the oil brought to Britain is accounted in millions of tons. A changed world, too: a world of shortages in which there is no shortage of oil.



Down-to-earth protection

MONTEZUMA, proud monarch of Mexico, like many kings before him, was forbidden to touch the ground and had to be carried about by noblemen. In the olden days, it seems, kings were thought to be charged with virtue and they had to be insulated from contact with the earth to prevent the charge running to waste.

Today, when it comes to protection, modern industrialists have their feet firmly on the ground. The surest sign of it is that so many leading manufacturers pick "Fiberite" cases and

cartons made from "Thames Board" to protect their products and display them to advantage. Go into any small shop, any large store, in any part of the country, and the goods that command your attention are almost certainly packed in cartons made from "Thames Board". They have reached their destination safely in "Fiberite" cases.

Through long-range planning, and the enthusiasm of experienced technicians, Thames Board Mills are building up their productive capacity to meet the ever-growing needs of industry.

THAMES BOARD MILLS LIMITED

THE LARGEST MANUFACTURERS OF BOARD AND PACKING CASES IN BRITAIN

Purfleet, Essex  Warrington, Lancs

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

Trade in May

THE increase in British exports last month to a record value of £283.8 million fob was widely spread. The detailed trade returns show that exports of engineering products rose to over £119 million; even when the value of the Empress of Britain (£5½ million) is excluded the total remains a record. For the two months April and May engineering exports amounted to £112 million a month, eight per cent more than in the first quarter. Shipments of machinery other than electric, at £44 million a month, were 4½ per cent higher than in the first quarter, and shipments of electric machinery, at nearly £19 million a month, were 6½ per cent higher. Exports of cars and chassis continued to recover, and the April-May average of £10.2 million was 10½ per cent higher than in the first quarter, though still much below that of the first quarter of last year. Commercial vehicles and chassis, at £8½ million a month, were five per cent higher than in the first quarter, and for the first five months of the year were as much as 13½ per cent higher than in the same period of last year. Exports of metals rose further in May, and the average for the two months of nearly £38 million was 5½ per cent higher than in the first quarter; a big increase in shipments

of iron and steel accounted for most of the rise. The total value of British exports in the first five months of 1956 was 6½ per cent higher than in the same period of 1955, when the figures were inflated by the overspill from the dock strike of the previous October. Allowing for that distortion, the Board of Trade estimates that the real increase in value was probably about 10 per cent, and the increase in volume about 6 per cent.

Imports in May, at £329.1 million cif, were almost the same as in the previous two months. Over the first five months imports have been just 1½ per cent higher in value than in the same period of last year (and one per cent above the average monthly value for the whole of 1955); but import prices have risen by about 1½ per cent, so that the volume is unchanged. But there have been big changes among the major groups. Imports of manufactures, which include semi-manufactures such as steel and copper, amounted to £78.8 million a month in January to May, 10½ per cent more than in the same period of last year; over two-thirds of that increase was attributable to higher prices. Imports of coal and petroleum, at £35.6 million a month, were 11 per cent higher, half of that rise being the result of higher prices. On the other hand imports in the food and tobacco group fell by three per cent to £121.7 million a month, thanks largely to lower prices. In May,

Shipping Liquid Gas Across the Oceans

WHERE natural gas occurs in oil deposits, one cannot get the oil out of the ground without producing the gas as well—whether or not there is a nearby market for it. In the Middle

East, more gas than Britain uses is produced as an unavoidable by-product and has to be "flared to

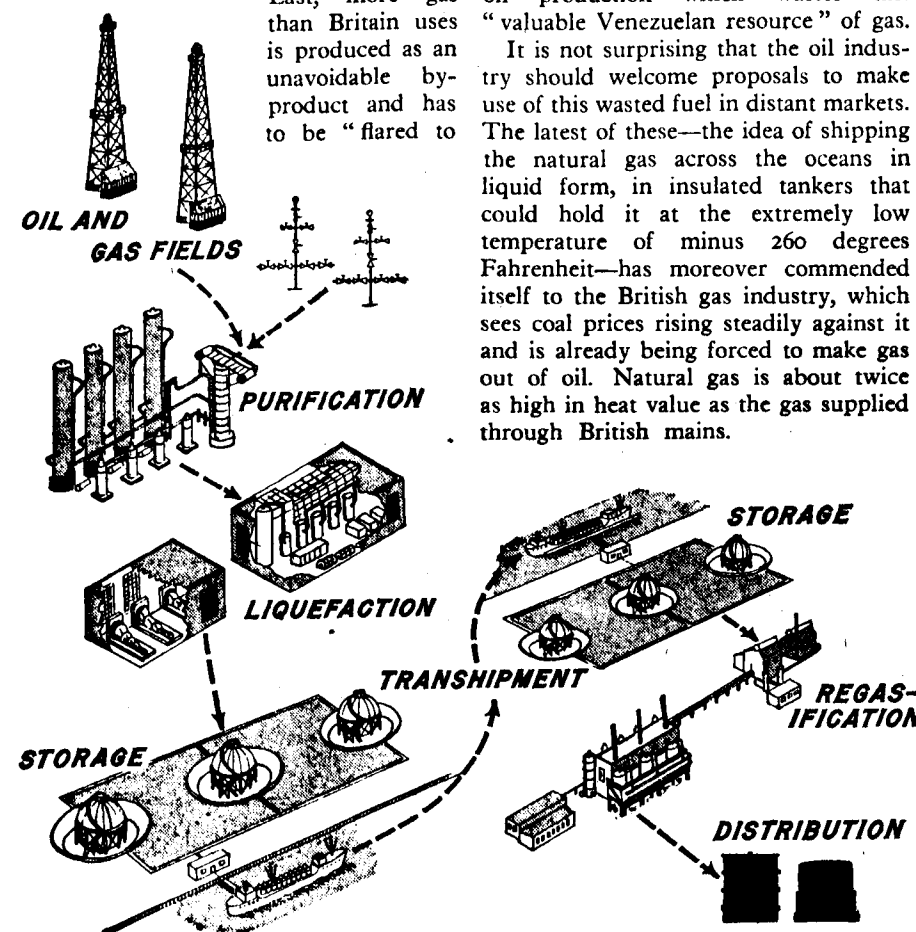
waste." Venezuelan by-production of natural gas, similarly, is far more than can be marketed; and this actually limits the profitable production of oil there, since the oil law is designed to penalise oil production which wastes this "valuable Venezuelan resource" of gas.

It is not surprising that the oil industry should welcome proposals to make use of this wasted fuel in distant markets. The latest of these—the idea of shipping the natural gas across the oceans in liquid form, in insulated tankers that could hold it at the extremely low temperature of minus 260 degrees Fahrenheit—has moreover commended itself to the British gas industry, which sees coal prices rising steadily against it and is already being forced to make gas out of oil. Natural gas is about twice as high in heat value as the gas supplied through British mains.

Design of refrigerated tankers to carry liquid gas from the Middle East or Venezuela to Europe is still in the realm of ideas. Mr J. Burns and Mr L. J. Clark of the North Thames Gas Board, outlining the possibilities at a recent conference of The Institution of Gas Engineers (by courtesy of which the accompanying diagram is reproduced), leaned towards a design in which each hold of a tanker would be a "cold box," containing tanks of liquid gas packed in insulating material such as balsa wood or foam glass.

Such tankers would be likely to cost twice as much, ton for ton, as normal oil tankers: their operating costs would depend on the size of the vessel, but might be only slightly larger than for oil. Costs of liquefaction (which depend largely on the percentage of the gas fuel consumed in the process) might, on the most favourable estimate, be rather lower per therm of fuel than the refining of oil, and storage costs—in specially insulated liquid gasholders—markedly more.

Messrs Burns and Clark guess the total costs, apart from the price of the raw material, at perhaps 4d. to 4½d. a therm delivered in Britain: oil costs 3.3d. a therm over and above the price at wellhead. The economics of the scheme, therefore, depend largely on the price that the oil companies choose to charge at source. Meanwhile the experiments continue to attract eager attention from the British gas industry, and more cautious, but not less steady interest from the oil companies.



however, there was a mainly seasonal rise of two points to 103 (1954=100) in food prices, which was offset by a sharp fall of four points to 112 in prices of manufactures (mainly in copper), and a fall of one point in prices of basic materials and fuels. Prices of all the main groups of exports except metals rose by one point in May, bringing the composite index of export prices back to 105. With the composite index of import prices unchanged at 106, the terms of trade improved by one point to 101.

Bank Advances Rising

THE upturn in bank advances in these past few months is put in a new light by the quarterly figures issued by the British Bankers' Association this week. In the three months to May, advances made in Great Britain by all members of the association rose by £24 million, to £1,985 million, showing their first quarterly increase since Mr Butler's "request" of last summer. The change of trend had been apparent from the monthly figures from the clearing banks, notably those for February and March; but whereas it had been generally attributed to the borrowings of the public sector, it is now evident that the total advances of the private sector have risen too, though only slightly. During the quarter the public utilities absorbed an additional £31 million, or rather less than usual, while the local authorities made net repayments amounting to £12 million. Advances to all other borrowers therefore rose by £5 million, to £1,822 million, which is 4.7 per cent below the peak reached last August.

This stopping of the decline does not mean that the banks have dropped their policy of reducing limits and seeking repayments wherever reasonable, nor have they consciously relaxed their attitude to new borrowers. The effect of the continuing squeeze can be seen in the further decline, by £12.5 million, in the personal and professional group of borrowers (whose total shows a decline of £66 million over the year, to £335 million), as well as in several other groups. Borrowings by hire-purchase finance companies have dropped by a further £4.8 million, to £30.6 million, compared with the August peak of £45 million; retail trade has declined by £2 million, whereas in the similar quarter last year it rose by £8.5 million; agriculture and fishing has dropped by over £6 million (up by £8 million last year); and notable declines are also shown in wool and in the "unclassifiable" group of trade and industry. Increases are shown, however, in twelve industrial categories—most notably in engineering (up by £10 million on the quarter and £38 million on the year) and in non-ferrous metals (up from £8.3 to £13.4 million). Textiles, excluding wool, absorbed an additional £5.5 million, and small additions are shown by leather and rubber, chemicals, builders and food and drink and tobacco (though this last category rose much less than in the similar quarter last year). The big "other financial" group, which includes, among others, the special finance corporations as well as the insurance industry, rose by £7.8 million. These increases, so far as can be judged from the broadness of the classification, are not inconsistent with the banks' claim that the new lendings reflect the demands of borrowers important in the national interest—or are otherwise mostly due to a fuller utilisation of existing limits.

Machine Tools on Show

THE machine tool industry opened its exhibition at Olympia this weekend in an atmosphere that has lately become rather critical. Principally it is criticised for not expanding its capacity fast enough, particularly its capacity to meet the growing demands for more specialist tools, transfer machines and various types of control mechanisms. The industry may feel that the first argument is overdone, since the recent heavy surge in investment orders from tool users would appear to have taken everybody by surprise. But the bare figures of output do not spell much expansion in recent years. Although the value of the industry's output rose from £66 million to £75 million last year after remaining virtually stationary for two years the prices of many tools were increased substantially during 1955. The growth in the order book from £81 million to £100 million over the same twelve months would also reflect some of these price changes. In the first three months of the present year the value of output rose by about an eighth, and orders by rather less, though they still exceed current deliveries and the order book at the end of March reached £104 million. But this year imports have once again started to exceed exports; the last time this happened was four years ago when the Korean armament drive got under way. This time tool users are importing the more specialist tools on which home manufacturers have been quoting long delivery delays.

The industry is handicapped mainly by shortages of draughtsmen, designers, and certain grades of skilled labour. Training, which takes several years, does not meet the immediate problem and most firms do not find it possible to compete with the high salaries paid by certain other industries for the same staff. Sub-contracting helped in 1952 and 1953 and there has recently been another increase in this form of out-work, but not to any really significant extent, as most engineering firms able to do this kind of work are themselves running at full capacity. The shortage of jig-boring capacity is another limitation; this is hampering the development of transfer machines, but there are several more firms showing this kind of equipment at Olympia. Other exhibitors are demonstrating recent developments in automatic handling and electronic or hydraulic controls. The industry is showing that it can cater for these new demands though its customers may still think that it is not doing so fast enough.

Cheap Atlantic Flying

THE discussions between airlines on new air fares for the North Atlantic had still not finished when this issue of *The Economist* went to press. In an atmosphere of more open dispute between carriers than at any previous meeting of the kind, the major airlines have brought themselves to agree to a drastic change in the fare structure. Just when he has been banished from the railways, the third-class passenger appears in the air. The airlines have agreed to introduce third-class flights across the North Atlantic at fares that are expected to be about 18 per cent lower than the present tourist rates—which remain unchanged. This

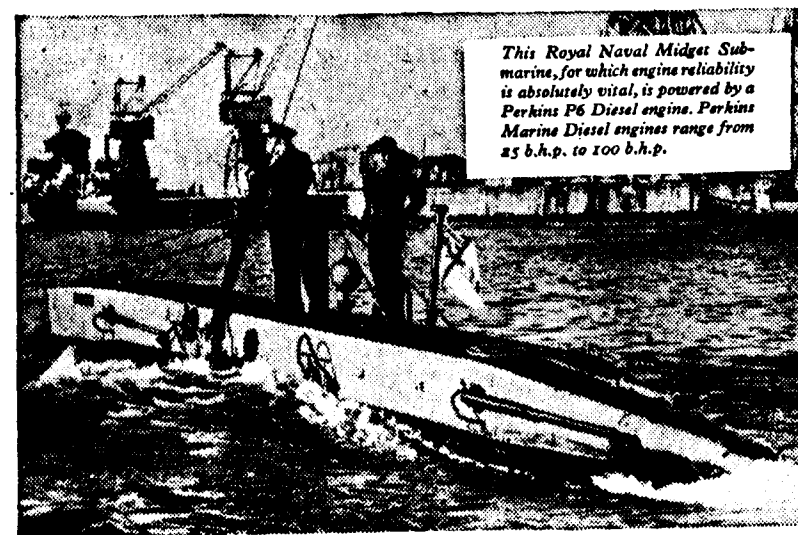
DIESEL POWER AT WORK



On the farm Perkins Diesel engines offer greater power, easier starting, greatly reduced fuel and maintenance cost. This is a Massey-Harris 780 Combine Harvester fitted with a Perkins L4 TA type diesel engine.



Municipalities find Perkins Diesel engines save up to 5-11d. per mile compared with petrol engines. Here is a Dennis Gully and cess-pool emptier, fitted with a Perkins P6(v) engine.



This Royal Naval Midget Submarine, for which engine reliability is absolutely vital, is powered by a Perkins P6 Diesel engine. Perkins Marine Diesel engines range from 25 b.h.p. to 100 b.h.p.

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third-class passenger will fly clasping his cardboard lunch-box (which he will have to buy) and the aircraft that carries him will serve no meals and have no bar. The elimination of the deadweight represented by the bar and the galley should make it possible to carry four to six extra passengers per aircraft.

Meanwhile, the first-class passenger is promised a wider choice—a de luxe service at today's fare or a "normal" service at about 9 per cent less. The tourist standards remain unchanged, but reports from Cannes indicated that the American carrier, TWA, was likely to get the 15-day North Atlantic excursion fare for which it was asking.

These new rates are more in line with the views of the American carriers, and particularly Pan-American, than those of most European airlines (except BOAC). The third-class fare is designed for the American tourist traffic to Europe, which is growing considerably in volume, and the dollar revenue from such tourists is no doubt balanced against any revenue problems that the lower fares will raise for national airlines less well equipped than their American competitors. The main arguments in the closing stages of the conference seem to have turned on the dates when the new fares are to be introduced. American carriers would like to start the cheaper flights as early as possible, but other carriers, who have agreed to them with noticeable lack of enthusiasm, do not want them before the summer of 1958.

Triangular Deals in Cotton

THE American government is never backward in expounding the doctrine of multilateralism to other countries, but like other governments it often fails to practice what

it preaches. In its efforts to get rid of surplus commodities the United States has unblushingly adopted expedients ranging from barter to complex triangular deals. The latest example involving this country is the sale of \$21.7 million worth of commodities to Burma, for payment in local currency. Raw cotton accounts for \$17.5 million of the total, far more than Burma can consume in its own mills. Hence Burma is taking raw cotton to the value of only \$1 million; the remaining \$16.5 million will be shipped in the form of cotton textiles of equivalent value. The textiles will be made in "third" countries, presumably because the United States does not normally sell textiles to Burma, and does not wish to tread on the toes of that country's traditional suppliers. Britain is one such supplier, although import restrictions have latterly reduced Britain's exports of cotton textiles to Burma to a mere trickle, amounting to only £522,000 in the first five months of this year.

Under the agreement between Britain and Burma announced this week, Britain will supply textiles to the value of about £940,000, and receive American raw cotton to the equivalent value in payment. The textiles will be mainly fine printed goods, much of them made in fact from Egyptian, not American, cotton. A similar triangular contract with Pakistan was recently completed, and another is in the offing with Indonesia. The arrangement with Pakistan worked quite well, despite the intricate financing procedures involved. But the raw cotton due to be imported against the Pakistan contract has not yet been fully taken up because American cotton has been dearer than other growths. That difficulty no longer applies now that American cotton is being sold at competitive prices; even so, the British system of import licencing may have to be changed to ensure that American cotton made available under these deals is taken up in reasonable time.

Second-Hand Car Prices

The table shows the average price that would have been obtained for a year-old car during the past two years, expressed as a percentage of its original cost, including purchase tax. The prices are those ruling at the end of each quarter.

	1954				1955				1956		List Price
	M.	J.	S.	D.	M.	J.	S.	D.	M.	J.	
Austin A.30	96	99	99	92	99	99	96	91	87	102	574
" A.40	93	98	94	90	97	96	90	84	83	98	804
Bentley "S"	83	87	84	84	87	85	84	83	92	88	4,944†
Ford Popular	95	100	100	97	99	99	95	91	86	88	414
" Anglia	...	...	114*	109*	107	106	100	97	94	96	541
" Prefect	...	...	116*	113*	110	108	109	98	95	96	594
" Consul	94	98	96	92	98	96	93	86	83	96	781†
" Zephyr	88	91	89	86	89	87	83	76	75	79	871†
Hillman Minx	93	99	95	92	95	99	92	85	84	98	748†
Jaguar M.VII	81	80	76	71	77	83	79	74	74	72	1,711
Morris Minor	95	104	101	100	100	99	96	95	95	95	639
" Oxford	82	86	86	82	97	96	93	86	85	87	849
Rover 75	78	89	87	84	82	83	78	74	83	84	1,374
Standard Vanguard	80	82	80	78	85	84	79	74	77	79	939†
" 8	92	95	90	89	93	92	89	85	86	92	585
" 10	...	...	...	103*	96	93	94	88	87	93	624
Vauxhall Wyvern	93	96	95	93	96	96	91	84	88	90	766
" Velox	90	94	91	90	93	93	86	80	86	86	841

* Under 12 months old

† New model

More Britannia Troubles

THE introduction of the Britannia airliner has been put off for yet another two months, from August 3rd to some unspecified date early in October, while more modifications are made, to the cowling round the engines. The Britannia has been dogged by minor technical troubles, none affecting the basic structure of the engine or airframe but each serious enough to cause delays while they were put right. In this case, unexplained dousing of the flame in the engine combustion chambers led BOAC to stop proving flights that had been in progress since the first Britannias were delivered early this year. Engines were hurriedly modified and a Britannia was sent out to the regions in Africa where most of the stoppages occurred. It now appears that the trouble is due to small accumulations of "dry" ice in scoops and crevices of the engine cowling. These break off from time to time, enter the engine and momentarily raise the moisture content of the air going through the combustion chambers so much that it puts out the flame. The remedy suggested is to alter the shape of the cowling so that ice cannot take hold, and further trials will be needed after this modification.

The Britannia has been flying since 1952, but this trouble was not noticed until BOAC began proving trials early this year. Air conditions that lead to "dry" ice formation occur only in certain regions, at certain altitudes, and during certain parts of the day so that it is easy enough to miss by chance the particular combination of time and place that lead to "flame-out." When it is left to the customer, in this case BOAC, to discover unexplained faults in the behaviour of the engines of a fully certified aircraft is there not some cause for concern?

The Plight of Cotton

FEW things are so disruptive to trading as a lack of confidence in prices. The cotton trade in Britain and other countries has lacked that confidence for more than a year. Buying of cotton and cotton textiles is dominated by the policy of the United States in disposing of its huge surplus of raw cotton. The precise effects of that policy could never be foreseen, and the new directive of Congress has aggravated the uncertainty. The Administration is now obliged to sell its surplus cotton abroad at prices down to 25.50 cents a lb, basis middling 1½-inch ex-port, and to accept lower prices if that is necessary to meet foreign competition. So now the cotton trade lives uneasily from one fortnight to the next—the interval between the Commodity Credit Corporation's sales.

The results of the first sale since the directive was passed were announced this week. The CCC sold 1,587,000 bales and the lowest price accepted was 25 cents a lb for middling 1½-inch at average location. That is equivalent to about 26 cents ex-port, and it is 10 cents a lb below the current spot price in the domestic market. The range of prices is not yet known, but a substantial quantity may have been sold for more than 25 cents. The volume sold is larger than was expected, even though it was known that American shippers had made large sales to domestic and foreign buyers which would have to be covered from

the CCC's stock. (The cotton can be sold on the domestic market, provided that the seller subsequently exports an equivalent quantity.)

A price of 25 cents ex-location is equivalent to about 26½d. a lb cif Liverpool for middling 1-inch. October/November futures in Liverpool at about 25d. a lb thus more than discount the CCC's lowest price so far, but the question for Liverpool is whether it has yet seen the full extent of American price-cutting. It can be argued that the Administration, which accepted the directive of Congress with reluctance, should be able to hold prices at the present level for the rest of this year. Of the five million bales which it is hoped to export in the 1956-57 season, nearly two million have already been sold; competition from foreign producers will hardly be felt before the end of the year; and the beady eye of Congress will soon switch to the elections. But the trader can hardly be blamed for taking a less sanguine view. He can no longer hedge his risk on the New York futures market, which has now ceased to have any value for foreign operators; nor can Liverpool yet offer him a satisfactory hedge.

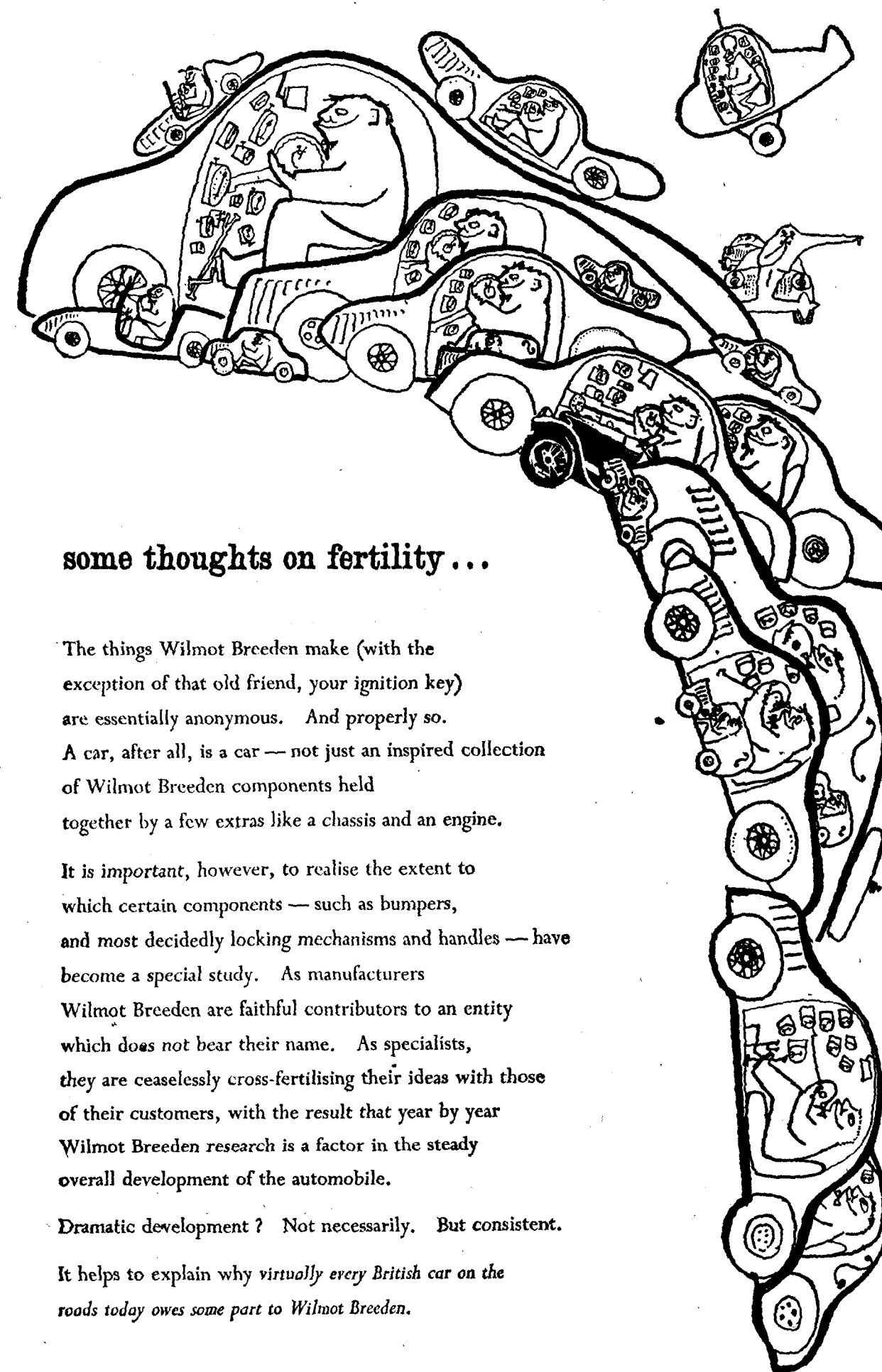
Forecast for Rubber

WHEN it forecasts world production and consumption of rubber the International Rubber Study Group faces more than the ordinary risks of crystal gazing. Figures of production in Indonesia, the world's largest producer of natural rubber, are suspect. The absence of Russia, China, and all the East European countries except Hungary means that the group must estimate likely imports into those countries as best it can. Finally, the forecasts for the member countries present do not represent the consensus of group opinion; estimates tabled by member governments have to be accepted. Last year the estimated outturn was very nearly right thanks to big compensating errors. Given the qualifications, the forecasts published by the group this week suggest that world production and consumption of

WORLD OUTPUT AND CONSUMPTION OF RUBBER
(thousand long tons)

	1955 Forecast	1955 Actual	1956 Forecast
Production:			
Natural	1,845	1,912	1,835
Synthetic	985	1,085	1,250
Total	2,830	2,997	3,085
Consumption:			
Natural	1,830	1,868	1,845
Synthetic	955	1,062	1,130
Total	2,785	2,930	2,975
Surplus:			
Natural	15	44	-10
Synthetic	30	23	120
Total	45	67	110

natural rubber will again be closely balanced this year, while production of synthetic rubber will exceed consumption by 120,000 tons. Despite the fall in the price of natural rubber, which at about 25d. a lb is now 11d. a lb lower than at the beginning of the year, production in Malaya is expected to drop by no more than 9,000 tons to 630,000 tons, and the drop in output expected in other countries is with one exception also small. The exception is Indonesia, where output is estimated to fall by as much as 54,000 tons to 680,000 tons.



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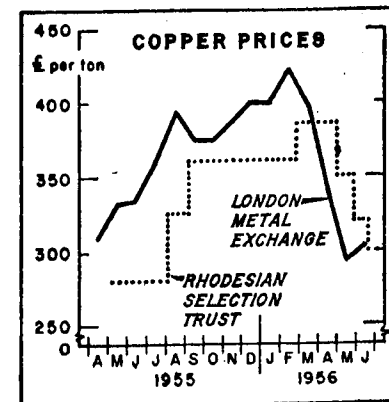


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World consumption of natural and synthetic rubber is expected to rise by 45,000 tons to 2,975,000 tons this year, notwithstanding the recession in the American and British motor car industries. American consumption is expected to fall by 100,000 tons to 1,430,000 tons; the brunt of that fall is in natural rubber, consumption of which is expected to fall by 85,000 tons to 550,000 tons. Estimated consumption in Britain shows a drop of only 10,000 tons to 257,000 tons, a fall of 34,000 tons in natural rubber being partly offset by a rise of 24,000 tons in synthetic. The expected increase of 155,000 tons in consumption in the rest of the world largely reflects increased imports by Russia. Estimates for Russia, the East European countries apart from Hungary and China are not published, but the total is believed to amount to roughly 250,000 tons; that compares with official estimates of 118,000 tons last year, but actual imports are believed to have been some 30,000 to 40,000 tons higher.

Copper Prices Ease

THE most important news in copper this week came from the United States. Two major American producers have concluded a new contract with the unions and a third company has reached agreement in principle. This news greatly diminishes the threat of a strike in the American industry; it overshadowed the reduction of £20 to £300 a ton in the fixed price of copper sold by the Rhodesian Selection Trust companies and the news of labour troubles in the Rhodesian mines. When the new wage agreements in the United States are completed it is expected that the American producers will drop their price, which at 46 cents a lb (£368 a ton) is far above the custom smelters' price of 40 cents (£320 a ton) and prices in the rest of the world (the Belgian price has also been reduced this week by about £19 to £311 a ton). Cash copper closed in London on Thursday at £293 10s. a ton, a fall of £9 on the week. Thanks to a plentiful stock of copper in Metal Exchange warehouses, three months' copper now commands a small premium. If that premium can be maintained the London market will at last offer a reasonable hedge.



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Troubled Waters

ONE spring morning in 1949, the whole surface of the tanks in one of the country's biggest sewage works was covered with 6 inches of white foam. A new brand of synthetic detergent had just been put on sale in the district. In the following months, foam as high as 10 feet

was reported from various sewage works, a white ectoplasm blew in dollops around the sewage works themselves and off rivers into which effluent was discharged. In 1953 a committee was set up under the chairmanship of Sir Harry Jephcott to see what was happening to the new detergents once they reached the drains and in its report published this week, the committee suggests that there are indeed some grounds for concern. The type of detergent now in general use is not destroyed by the normal sewage purification process and it is not destroyed by the normal water purification processes. It can therefore travel through the sewage plant into the rivers, and from the rivers into the drinking water reservoirs, through the purification plant and into the domestic drinking water system. Detergents are not poisonous but hardened drinkers of water will agree with the committee that it is better without them.

This is the crux of the detergent problem. The mechanical difficulties at the sewage works themselves are irritating because they lower the efficiency of the plant and slow down the process of purification. But what is to be done with an effluent that resists known purification methods and decomposes very gradually? Four of the fifteen members argued that as consumption of synthetic detergents in this country has probably reached saturation without a danger to public health, there need be no cause for alarm about the future, but the majority of their colleagues felt otherwise. It was suggested that detergent manufacturers and the local authorities should work together to see if they could find a more susceptible active agent for their detergents and that a central committee should watch carefully the detergent concentrations in water. The onus was put largely on manufacturers, with a hint that the government ought to consider arming itself with powers to take rapid action against the use of detergents in case it should become necessary.

Priorities in Road Building

THE Minister of Transport has now made clear what he meant in February when he said that he was "reconsidering priorities" in road expenditure. But the results of this reassessment are not very startling. The Govern-

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ment's £147 million four-year programme still stands; so do its plans for building new motorways. But since it takes up to two years to complete the preliminary procedural work in planning a completely new motor road, Mr Watkinson intends to concentrate spending in the meantime upon works that will produce results more rapidly—that is upon removing the more notorious bottlenecks on major traffic routes and upon clearing congested approach roads on the fringe of the larger cities. The occasion for this long overdue explanation was his visit last week to Ilford where he inspected progress on the scheme to reconstruct a half-mile section of the Eastern Avenue approach road to London. This is one of the projects that are now being pressed forward under the Minister's "new" policy, and he announced several more of a similar nature on which work would start this summer or later in the present financial year (among the latter was the Birmingham inner ring road). He also gave further details about two items in the longer term programme:—

It is hoped to start work on the London-Birmingham motorway at the end of 1957 and to complete the whole stretch of 53 miles towards the end of 1960; by then, too, the connecting roads at both ends will have been completed. The Great North Road (A.1) is to be "turned into a major North-South link." Work to improve this trunk road will receive priority over the motorways, apart from the London-Birmingham road; a start will be made "very soon" on straightening and double-tracking four stretches of about 15 miles.

There are signs that the Ministry of Transport is beginning to concern itself with estimates of the economic return on investment in highways. Although the growth in traffic during a period of net disinvestment suggests that the return on these piecemeal projects to improve existing roads must be high, there is no reliable yardstick to measure the relative merits of two competing schemes. But the Minister has now set his advisers to re-examine future road requirements in the light of traffic densities expected, using the detailed returns of the August 1954 traffic census. One result of this census already is that the Ministry is now advising local authorities to design roads that will cater for densities two and a half times the 1938 volume of traffic, in place of the former general rule of 1938 traffic plus 75 per cent. It might, however, be too much to hope that this re-examination will lead the Government to increase its allocation of resources for road construction.

Fats in Plenty

SINCE 1950 world production of oils and fats has increased by over 4 million tons, an average annual increase of some 700,000 tons. That has been sufficient to provide for the growth in population and for an increase in consumption per head to a level that now appears to be higher than before the war. Will consumption per head continue to grow? Mr J. C. A. Faure, of Unilever, thinks not, painful though that conclusion may be to one who represents the world's largest user of edible oils and fats. Speaking to the International Seed Crushers' Congress in Lucerne this week, Mr Faure said that he expected consumption per head to level off for the next year or two, and total consumption to increase only as population increased. That would still require an extra 300,000 tons each year.

But Mr Faure estimates that world production will rise by nearly 700,000 tons this year to a new peak of 27.3 million metric tons. Despite the poor olive oil crop, production of liquid edible oils should rise by about 300,000 tons to 9,330,000 tons; output of animal fats should be 260,000 tons higher at 10,380,000 tons and output of coconut, palm kernel and palm oils should be 80,000 tons higher at 3,550,000 tons. World exports, however, are unlikely to exceed the record total of 6,830,000 tons of last year. An expected reduction in shipments of groundnut oil from India, of linseed oil from Argentina and India, and of cotton oil from the United States will probably be offset by larger shipments of soya bean oil and tallow from the United States and of copra from the Philippines.

How does Mr Faure reconcile this picture of plenty with the sharp rise in prices earlier this year? He considers that reports of poor crops in several countries were only partly responsible. The American government was offering its surplus oils and fats for local currencies, and also making outright gifts. The extent of foreign demand for these surpluses, he said, was quite unexpected, and a wave of optimism swept over the United States. "Conditions in fact became an El Dorado for the bull speculator." Mr Faure believes that this speculation, which spread to many parts of the world, lifted prices unjustifiably high, and that the reaction which set in early in May was due.

SHORTER NOTES

The interim ordinary dividend of Birmingham Small Arms has been cut from 4 to 3 per cent. Trading profits for the first nine months of the current financial year (ending on July 31st) are lower, partly because of higher costs and partly because of unfavourable trading in the motor section of BSA; but the machine tool, steel and heavy engineering divisions are still expanding.

Car production fell again in May to a daily rate of 2,926 units, from 3,102 in April and 3,128 in March; in the corresponding months of 1955 output was 3,656, 3,760 and 3,726 units respectively. The daily rate of exports was slightly lower than in April, and about 18 per cent lower than in May, 1955.

The Government has decided that the proposed additional crossing of the Forth should be a bridge and not a tunnel. Including approach roads the bridge is now expected to cost between £10 million and £15 million, and the possibility of levying tolls for its use has not been ruled out. It is intended to authorise a start on this scheme within the present four-year road programme, that is some time before March, 1959.

A second exchange of visits by teams from the British and Russian steel industries is to take place this year. Dr Colclough, Technical Adviser to the British Iron and Steel Federation, heads a ten-man team leaving for Russia next week. The return Soviet delegation is expected in the autumn.

Company Notes

ROLLS-ROYCE. The "tremendous challenge" facing the aero-engine manufacturers, which Lord Hives, the chairman of Rolls-Royce, discusses in his statement to shareholders, is the change from piston to gas turbine engines in the next ten years. Rolls-Royce has already accepted the challenge. The group, Lord Hives says, is in "a unique position" in having under development four different types of gas turbine engines specifically designed for transport operations. But while the directors see much that is reassuring for the future of the company, resources must be conserved to meet the heavy capital expenditure involved in meeting the challenge and they recognise the risks that always attend on new projects. Rolls-Royce's "formidable technical programme" will involve the "spending of very considerable sums of money in the

	Years to Dec. 31, 1954	1955
<i>Consolidated earnings:—</i>		
Profit, after depreciation	4,416,315	3,911,369
Royalties	787,232	574,887
Investment income	55,271	158,116
Income before tax	5,258,818	4,644,372
Taxation	3,290,000	2,515,000
Net income	1,968,818	2,129,372
Ordinary dividends	596,250	626,004
Retained profits	1,372,568	1,503,368
<i>Consolidated bal. sheet:—</i>		
Fixed assets, at cost	11,917,049	14,716,210
Net fixed assets	6,001,994	7,705,391
Net current assets	14,145,677	13,385,793
Stocks	8,736,681	13,633,136
Debtors	11,606,192	8,683,778
Net liquid assets	5,527,683	2,123,059
Reserves	5,799,566	7,290,944
Ordinary capital	5,855,000	6,000,000
Workers' capital	145,000	248,772
£1 ordinary stock at 10s. 3d. yields £3 7s. per cent.		

foreseeable future." How formidable is shown by the sum of £2,800,000 spent on capital account in 1955, by the end-year capital commitments of nearly £5 million, by the rights issue of ordinary shares in March raising about £4½ million and by the firm orders of over £70 million on the group's books.

Against these figures the company's trading results in 1955 pale. Even so in that year the combined turnover of the group for customers other than the British Government rose to £23 million and new orders were received at an even greater rate. But for the strike at the Scottish factories, both sales and profits would have shown an increase. Indeed the damage caused by the strike was greater than is indicated by the fall in gross profits from £4,416,315 to £3,811,369, for bigger profits were earned from the company's "increased commercial business." Presumably it was the urgent need to build up the company's funds rather than the actual trading results which led the directors merely to maintain the ordinary dividend at 17½ per cent—a rate that they have promised will be maintained on the capital as increased by the rights issue. The low yield on Rolls-Royce stock—currently only 3½ per cent—measures the confidence investors have in the company's ability to meet its latest challenge.

BOOTS PURE DRUG. Satisfaction with a job well done pervades the statement of Mr J. P. Savage, the chairman of Boots Pure Drug Company. There is reason for satisfaction. In the year to March 31st last, sales by the group rose by 11½ per cent to over £66 million, trading profits rose from £4,214,758 to £4,380,704 and effectively the ordinary dividend was raised from 13½ to 14 per cent. All this was achieved in a year in which costs were rising and in the last quarter of which trade had slackened off. Record profits were achieved, Mr Savage points out, not by increasing selling prices but by a substantial increase in sales and by greater efficiency in distribution and production. Wages and salaries were going up faster than prices and the group attempted to absorb the rise in costs by improving its distribution and selling methods. Such improvements are perhaps easier for Boots than for some other companies, for its chain of control links production, wholesaling and retailing together. Indeed, it is the only large manufacturing chemist with its own nation-wide retail chain.

But improvements are made possible only by the use of capital. About two-thirds of the capital expenditure of £2,750,000 in 1954-55 was spent on the retail side of the business in building new shops and in extending and modernising others and one-third on the manufacturing and warehousing side. Such a programme makes a continual call on retained profits and Boots entered the new financial year with capital commitments of over £1,500,000.

The directors and managers of the group

	Years to Mar. 31, 1955	1956
<i>Consolidated earnings:—</i>		
Profit after depreciation	4,213,738	4,379,706
Taxation	2,252,608	2,299,728
Net income	1,912,142	2,029,454
Ordinary dividends	796,800	824,320
<i>Consolidated bal. sheet:—</i>		
Net fixed assets	13,735,999	15,341,559
Net current assets	11,354,785	10,980,474
Stocks	14,289,132	15,318,054
Cash	1,139,629	458,366
Bank overdraft		756,094
Reserves	13,265,583	9,300,214
Ordinary capital	5,120,000	10,240,000
6s. ordinary share at 10s. 3d. yields £4 6s. per cent.		

cannot relax their efforts to keep down the costs of distribution and to hold a tight rein on stocks, for Mr Savage says that the current year "will probably be the most difficult period" the group has faced since before the war. Costs are still rising and Mr Savage believes that "the policy of the Government to restrict spending will be felt throughout the retail trade."

BRITISH CELANESE. For stockholders in British Celanese the most significant sentence in the company's full report for the year to March 31st is the directors' comment that in cutting the ordinary dividend from 10 to 8 per cent,

they had "to take into account not only the fact that the profits are lower than those of last year but also that current trading does not show any improvement." From it stockholders, bearing in mind the fact that the group is holding money back in reserves to finance its development and research schemes on new products, can infer that restoration of the dividend may have to wait.

It can only be an inference, but nothing in the statement of the chairman, Mr G. H. Whigham, contradicts it. His statement is an exposition of the classic squeeze of competition. Competition prevents the group from raising its selling prices, so that if costs are allowed to rise margins are cut. Mr Whigham believes that the current year will repeat the pattern of the

	Years to Mar. 31, 1954	1955
<i>Consolidated earnings:—</i>		
Trading profit	4,104,393	3,307,153
Other income	194,579	194,250
Depreciation	836,000	936,000
Taxation	1,631,106	1,219,334
Net income	1,710,140	1,227,216
Ordinary dividends	426,677	345,853
Ordinary dividends (per cent)	10	8
<i>Consolidated bal. sheet:—</i>		
Net fixed assets	14,267,303	15,728,784
Net current assets	12,738,194	11,531,992
Stocks	5,461,667	5,903,604
Liquid assets	8,467,953	6,494,400
Capital reserves	3,121,598	3,456,047
Revenue reserves	4,950,817	5,196,931
Ordinary capital	7,518,534	7,518,534
£1 ordinary stock at 17s. 3d. yields £9 6s. per cent.		

last—"a fairly steady offtake by the home market at keenly competitive prices and a further decline in fabric exports." Sales at home, without as yet any substantial contribution from new products, have been maintained, though, perforce, at smaller margins of profit. Abroad, margins are even lower. British Celanese did export a larger volume of yarn, but again only at lower prices, while its exports of fabrics continued to decline both in value and profit. Mr Whigham points out that the group has to compete with European producers of synthetic fibres whose domestic prices are higher than those of their British rivals, but who, he says, secure subsidies of various kinds of their exports.

Are there any patches of blue sky in this cloudy prospect? A dispersal of the clouds seems to depend partly on the progress the group makes in developing and marketing new textile products. Two of the most promising are "Tricel" and "Celon," but their production is still in its early stages and cannot be expected to add materially to profits this year. Their commercial success still has to be proved—and that proof will have to be demonstrated in highly competitive markets.

BRITISH AND COMMON-WEALTH SHIPPING. The report just issued by the directors of British and Commercial Shipping does not contain in the true sense of the word formal accounts. It contains a consolidated income statement and balance sheet, drawn up on December 31st, as if the merger of Clan Line and Union Castle had completely taken place by that date. The strength of the group is revealed and,

with some possible minor exceptions, the hidden reserves have been dragged out into the light of day. When the tussle between Clan Line and some Union Castle shareholders took place it was estimated that the profit before tax in 1955 of Union Castle and Clan Line combined would be about £5,225,000 (£3,425,000 from Clan Line and £1,800,000 from Union Castle). The *pro forma* accounts now show that the combined profit was £5,399,928 (£3,464,716 from Clan and £1,935,212 from Union Castle).

The value of the combined fleets at cost, including payments on account of ships under construction, is put at £64,060,817, from which £30,991,380 has been written off in depreciation. Capital commitments at the end of last year came to £13,550,000. Against this commitment stockholders can set £12,188,589 in quoted investments and £14,921,371 in short-term liquid assets. Current assets are entered at £30,425,374—a figure which may underestimate their full worth because of conservative estimates on the value of stores—and current liabilities at £10,091,607. The future tax reserve stands at £8,973,637 and the total of capital reserves at £34,799,589.

*

FINE SPINNERS AND DOUBLERS. The trading results of Fine Spinners and Doublers for the year to March 31st disclose a reduction in the ordinary dividend from 12½ to 10 per cent, following a fall in gross trading profits from £2,287,629 to £1,540,462 and in net profits from £467,096 to £214,552. Especially to those whose connection with the cotton trade is not close this must seem to follow oddly on the interim report issued by the directors at the end of December when they reported that after a very dull six months' trade to September 30th trading conditions had "substantially improved." The directors then said that they did "not accept poor trading conditions during the first half of the financial year as indicative of prospects for company and confidence in the future is shown by the comprehensive modernisation policy designed to match changing pattern of the industry." It was the

general impression also that the recession in Lancashire had hit the finer end of the trade less severely than the coarser counts. But clearly there was a further deterioration in sales and profits soon after the publication of the interim report. All investors welcome the growing practice of issuing half-yearly reports, but this one shows that in such an industry as cotton, where changes in fortune are sudden, these reports must be carefully worded. Had they been addressing a purely Lancashire audience the directors might indeed have felt that some degree of recession was so widely known about as to require no special comment.

The smaller dividend of 10 per cent absorbs £321,424. Thus it is short earned and its payment is made possible by the non-recurring credits of £233,291 (including £210,461, written back from tax, a windfall that might be expected after a year of declining profits). After the announcement of the dividend, the £1 ordinary stock units lost 9d., to stand at 16s. 3d., offering the unimpressive yield of 12½ per cent.

*

ALLIED IRONFOUNDERS. A decline of only about 7½ per cent in the gross trading profit of Allied Ironfounders for the year ended March 31st is reasonably satisfactory. Group trading profits dropped from the previous year's peak of £2,615,717 to £2,416,370, despite the inclusion this year of a full year's profit from a subsidiary that yielded only 6 months' earnings last year. The net profit attributable to the parent company fell from £1,092,563 to £926,512, a figure which covers the maintained final dividend of 8½ per cent (again making 13½ per cent for the year) handsomely.

Since the announcement the £1 shares have risen by 1s. 6d. to 35s. 3d. at which price they yield £7 16s. 5d. per cent. The iron castings industry, of which the company is a leading and progressive member, has been enjoying long term expansion, but the movement of costs has presumably been upwards and the company's products include durable items of household equipment. It will be surprising if the curb on hire purchase has not had some effect.

LONDON STOCK EXCHANGE

Next Account begins: July 4th
Next Contango Day: July 4th
Next Settlement Day: June 26th

THE coming Government refunding operation discouraged buyers of gilt-edged this week and prices drifted lower. 3 per cent Savings 1955-65 lost ½ to 84½ and 3 per cent Gas 1990-95 lost ½ to 68½. Undated stocks declined, 3½ per cent War Loan falling 15s. and old Consols ½ to 52½. The short-dated stocks held firm. The *Financial Times* index of industrial ordinary shares receded 2.7 to 176.9, but there was a sharp revival in gold shares in later dealings on Tuesday, and sizeable gains were made on Wednesday. German bonds rose and Potash Syndicate 7 per cent stock jumped 15½ to 251½.

Ohlsson's Cape Breweries rose 7s. 6d. to 47s. 6d. on the merger, and Teacher (Distillers) rose 4s. 9d. to 28s. 9d. Ford Motor held the recent improvement, but BSA declined 10½d. to 28s. British Aluminium rose 1s. further to 58s. but London Aluminium fell 1s. 6d. to 6s. Norcross placed at 5s. 3d. opened on 11s. 9d. on Monday and rose to 20s. at one stage. C. A. Parsons and Reyrolle were both 2s. 6d. lower in a poor market for electrical stocks. On Wednesday SMT non-assented were 15s. 7½d. and the assented 1s. lower. Both Bowater and Eburite declined 2s. after the merger agreement. United Molasses rose from 40s. 9d. to 44s. 3d. during the week. London & Overseas Freighters gained another ½ to 5½ xd, but P & O lost 6d. to 28s. 6d. and Cunard 3d. to 21s. 6d.

Oil shares were again active; British Petroleum rose 7s. 4½d. to 156s. 10½d., but Shell remained at 87s. 8d. Trinidad Oil advanced to 76s.

Of the gold mines, Vaal Reefs gained 1s. 9d. to 31s. Hartbeestfontein 1s. 4½d. to 38s. 9d. and Harmony 1s. to 24s. 3d. Free State Geduld rose to 89s. 4½d. OFSIT gained 3s. 9d. to 58s. 3d. and WRIT a similar amount to 35s. xd. Tins improved, London Tin rising 3d. to 9s. 1½d. and Beralit 3s. 3d. to 46s. Consolidated Zinc gained 1s. to 49s. 6d., but Coppers remained quiet. Hopes of tax relief led to a rise in Beralit and Consolidated Zinc.

FINANCIAL TIMES INDICES

1956	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
June 14...	180.4	94.91	4.71	5.90
" 15...	179.7	94.95	4.71	5.93
" 18...	178.4	94.86	4.73	5.97
" 19...	177.6	94.73	4.74	6.00
" 20...	176.9	94.58	4.74	6.02
1956, High.	203.5	99.37	4.75	8.479
" Low.	169.7	94.58	4.71	8.297
1955, High.	223.9	115.97	4.75	9.660
" Low.	175.7	98.23	4.70	9.012
	(Jan. 3)	(Jan. 3)		
	(Mar. 8)	(June 20)		
	(July 21)	(Jan. 7)		
	(Mar. 15)	(Sept. 2)		

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, Jan. 1 to June 20, 1956		BRITISH FUNDS AND GUARANTEED STOCKS		Price, June 13, 1956	Price, June 20, 1956	Net Yield, June 20, 1956	Gross Yield, June 20, 1956	Prices, Jan. 1 to June 20, 1956		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, June 13, 1956	Price, June 20, 1956	Yield, June 20, 1956
High	Low							High	Low						
98½	97	Funding 2½% '52-57	98½	98½	100	3 s. d.	4 s. d.	85/6	64/-	7 a	STEEL & ENGINEERING				
99½	98½	War Bonds 2½% '54-56	99½	99½	100	3 0 6	4 4 7½	13/-	9/4	3½ a	8 b Babcock & Wilcox £1.	76/-	75/6	6 13 4	3 19 11
95½	93½	War Loan 3% '55-59	95½	95½	100	3 4 10	4 12 7½	35/-	28/-	8 c	10 b Cammell Laird 5/-	10/6	10/6	6 13 4	3 19 11
91½	88½	Funding 2½% '56-61	91½	91½	100	3 8 8	4 12 1½	54/9	40/-	3½ a	8 c Dorman Long £1.	30/6	29/6	6 8 6	6 8 6
100½	99½	Exchequer 5% 1957	100½	100½	100	3 4 4	4 19 0½	55/6	41/6	4 a	8 b Guest Keen N'fold £1.	46/3	45/9	6 5 0	6 5 0
99½	97	Conversion 4% '57-58	99½	99½	100	3 11 4	4 10 10	57/-	39/-	12½ b	6 a Metal Box £1.	52/6	52/6	3 16 2	3 16 2
97½	95½	Serial Funding 2½% 1957	97½	97½	100	3 11 6	4 8 8½	67/-	46/6	3 a	11 b Stewarts & Lloyds £1.	65/7½	62/9	5 11 6	5 11 6
94½	91	Conv. 2% 1958-59	94½	94½	100	3 13 6	4 13 3	49/9	40/6	8½ b	4 a Summers (John) £1.	43/3	41/3	5 16 6	5 16 6
91½	88½	Exchequer 2% 1960	91½	91½	100	3 11 4	4 10 8	44/3	32/4½	2½ a	11 b Swan Hunter £1.	54/3	53/9	5 4 2	5 4 2
94½	92½	Exchequer 3% 1960	94½	94½	100	3 16 2	5 5 9½				4 a United Steel £1.	45/3	42/-	5 19 0	5 19 0
88½	85½	Savings Bonds 3% '55-65	88½	88½	100	3 7 10	5 7 10½	24/6	19/10½	4 a	7½ b Vickers £1.	41/3	41/3	4 17 0	4 17 0
82½	78½	Funding 3% '59-69	82½	82½	100	5 15 10	7 14 0	23/7½	17/1½	3 a	6 b Bradford Dyers £1.	22/3	22/3	8 19 9	8 19 9
92½	87½	Funding 4% '60-90	92½	92½	100	3 17 5	5 8 2½	25/10½	21/9	2½ a	5 b Brit. Celanese £1.	18/6	17/3	9 5 6	9 5 6
81½	76	Savings Bonds 3% '60-70	81½	81½	100	3 10 0	4 17 4½	44/-	33/9	4 a	6 b Coats (J. & P.) £1.	22/6	22/-	7 19 1	7 19 1
91½	88½	Exchequer 3% '62-63	91½	91½	100	3 14 6	4 18 3½	21/3	15/3	5 a	6 b Courtaulds £1.	36/6	34/3	5 16 9	5 16 9
87½	83½	Exchequer 2½% '63-64	87½	87½	100	4 0 6	5 5 6½	30/-	23/-	5 a	5 b Fine Spinners £1.	17/-	16/3	12 6 2	12 6 2
81½	76½	Savings Bonds 2½% '64-67	81½	81½	100	3 12 4	5 3 11½	31/7½	26/3	10 b	7½ b Lancs. Cotton £1.	23/6	23/3	10 15 0	10 15 0
79½	73½	Savings Bonds 3% '65-75	79½	79½	100	3 3 4	5 0 8½				2½ a Patons & Baldwins £1	26/6	28/3	8 17 0	8 17 0
96½	91½	Victory 4% '20-76	96½	96½	100	3 17 4	5 7 9½	22/4½	17/7½	3½ a	6½ b Bristol Aeroplane 10/-	20/-	19/6	5 2 7	5 2 7
83½	78½	Funding 3% '66-68	83½	83½	100	3 13 6	5 7 9	9/-	6/6	8½ b	4 a British Motor 5/-	6/9	6/6	9 12 4	9 12 4
88½	83½	Conv. 3½% 1969	88½	88½	100	3 7 0	5 2 11½	44/3	29/3	2½ a	5 b Ford Motor £1.	32/6	33/1½	4 10 7	4 10 7
83½	77½	Treas. 3½% '77-80	83½	83½	100	3 6 4	5 2 11	40/4½	29/9	12½ b	3 a Hawker Siddeley £1.	34/3	32/6	5 7 8½	5 7 8½
84½	78½	Treas. 3½% '79-81	84½	84½	100	3 3 7	4 17 10½	48/3	38/3	10 c	12½ c Leyland Motors £1.	46/3	46/3	6 8 1	6 8 1
72½	66½	Redemption 3% '86-96	72½	72½	100	2 18 9	4 15 2½	115/10½	85/6	6 a	12½ d Rolls-Royce £1.	100/7½	100/7½	3 9 7	3 9 7
81½	76	Funding 3½% 1999-2004	81½	81½	100	2 18 8	5 3 0½				8 b Boots Pure Drug 5/-	15/8	15/6	4 10 4	4 10 4
84½	77½	Consols 4% aft. Feb. '57	84½	84½	100	2 16 5	4 18 2½	18/10½	14/-	6 a	7½ a Debenhams 10/-	35/3	35/-	7 17 1	7 17 1
77	69½	War L'n 3½% aft. Dec. '52	77	77	100	2 17 0	4 19 7½	38/6	29/-	20 b	15 a Gt. Universal 'A' 5/-	41/-	41/-	7 6 4	7 6 4
76½	69	Conv. 3½% aft. April '61	76½	76½	100	2 16 4	4 18 6½	44/9	32/9	45 b	32½ Marks & Spen. 'A' 5/-	61/6	61/-	4 2 0	4 2 0
66½	59½	Treas. 3% aft. April '66	66½	66½	100	2 14 7	4 14 10½	71/1½	57/10½	17½ a	20 b United Drapery 5/-	21/9	21/6	7 11 2½	7 11 2½
56½	51½	Consols 2½%	56½	56½	100	2 14 10	4 15 10½	25/6	19/1½	25 a	36½ Woolworth 5/-	58/-	58/3	4 17 3	4 17 3
51½	47½	Treas. 2½% aft. April '75	51½	51½	100	3 6 2	5 7 10½	64/10½	55/6	20 a					
98½	92½	Br. Elec. 4½% '67-69	98½	98½	100	3 14 11	5 5 10½				10 b British Petroleum £1.	148/1½	155/7½	3 7 1	3 7 1
80½	74½	Br. Elec. 3% '68-73	80½	80½	100	3 10 6	5 2 0½	160/-	99/-	15 a	12½ b Burmah £1.	93/9	95/-	3 13 8	3 13 8
79½	73½	Br. Elec. 3% '74-77	79½	79½	100	3 2 7	5 2 3½	97/9	63/-	5 a	14 b Royal Dutch 100 fl.	476½	476	2 9 4	2 9 4
95	88	Br. Elec. 4½% '74-79	95	95	100	3 7 0	5 2 0½	131½	58½	6 a	13½ b Shell Reg. £1.	176/10½	177/6	3 13 6	3 13 6
83½	77½	Br. Elec. 3½% '76-79	83½	83½	100	3 8 1	5 6 6½	180/9	129/-	15 a	15 a Trinidad Oil 5/-	68/3	75/-	...	...
90½	85½	Br. Gas 4½% '69-72	90½	90½	100	3 11 0	5 5 4½	75/3	31/10½	12½ c	SHIPPING				
87½	82	Br. Gas 3½% '90-95	87½	87½	100	3 3 1	4 16 9½				Brit. & Com'wealth 10/-	32/-	32/-	5 0 0g	5 0 0g
73½	67½	Br. Trans. 3% '68-73	73½	73½	100	3 14 11	5 5 10½	34/-	28/6	2½ a	7½ b Cunard £1.	22/-	22/-	9 1 10	9 1 10
80½	75	Br. Trans. 4% '72-77	80½	80½	100	3 5 3	5 2 10½	27/-	21/3	3 a	5 b P. & O. Def. £1.	29/-	29/-	5 10 4	5 10 4
90½	85	Br. Trans. 3% '78-88	90½	90½	100	3 6 3	4 19 0½	35/9	27/-		MISCELLANEOUS				
73½	67		73½	73½	100	3 6 3	4 19 0½	35/9	27/-		15 c Assoc. Elect. £1.	70/-	68/9	4 7 3	4 7 3

(e) To earliest date. (f) Flat yield. (h) To latest date. * Ex dividend.
† Assumed average life approx. 11 years. § Less tax at 8s. 6d. in £.

Prices, 1955		Prices, Jan. 1 to June 20, 1956		TRUSTEE STOCKS AND FOREIGN BONDS		Price, June 13, 1956	Price, June 20, 1956	Yield, June 20, 1956
High	Low	High	Low					
94½	79	80½	77½	Aust. 3½% '65-69	79½	77½	5 15 0½	37/10½
101½	87	87½	72	Ceylon 4% '73-75	77	77	5 10 10½	25/9
103½	87½	88½	84½	N. Zealand 4% '76-78	85	84½	5 3 10½	66/1½
88	87½	84½	57½	L.C.C. 3% aft. 1920	60	60	5 0 0	49/10½
99	83	85½	84	Liverpool 3% '54-64	85	85	5 7 1½	62/9
84	65	68½	63	M.W.R. 'B' 3% '34-2003	65	65	4 18 3½	41/3
102½	94½	97½	94	Ag. Agr. Mort. 5% '59-89	94½	94½	5 7 0½	64/6
122½	91	112½	102½	German 7% 1924	106½	107½	...	30/3
213	149	201	187	German 5% 1930	192	201	...	69/1½
212	160	220	208	German 5% 1907	219	220½	...	69/6
254	190	260½	247½	Japan 5% 1907	257½	257½	...	115/6
				Japan 5% Conv. 1930	257½	257½	...	82/9

Prices, Jan. 1 to June 20, 1956		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, June 13, 1956	Price, June 20, 1956	Yield, June 20, 1956
High	Low						
50/-	41/9	5 a	7 b Barclays £1.	44/6	44/6	5 7 10	135/7½
56/10½	51/6	6 a	6 b Lloyds 'A' £5, £1 pd.	53/6	55/-	5 9 1	88/9
72/4½	66/10½	9 a	9 b Midland £1, fully pd.	68/-	68/-	5 5 11	50/6
70/-	63/3	9 a	9 b N. Prov. 'B' £5, £1 pd.	64/6	66/-	5 9 1	10/11½

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	June 2nd	Western Europe:	
Production and Consumption	June 9th	Production and Trade.....	June 2nd
Manpower.....	June 16th	British Commonwealth	June 9th
External Trade.....	This week	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	June 16th
Industrial Profits	April 14th	United States	This week
World Trade.....	April 14th		

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages			1955			1956			
		1953	1954	1955	Mar.	April	May	Feb.	Mar.	April	May
VALUE											
Imports :											
Total	£ million	278.6	281.2	324.1	365.5	318.0	290.3	309.1	330.2	327.4	329.1
Food, drink and tobacco	"	109.6	110.5	120.1	143.2	119.8	104.6	116.5	126.2	118.3	123.5
Basic materials	"	87.9	85.4	93.8	103.7	92.8	85.6	83.6	82.9	92.6	92.3
Mineral fuels and lubricants	"	26.1	27.4	34.1	35.7	34.6	32.7	34.2	37.2	35.5	36.4
Manufactures	"	53.6	56.6	74.8	81.0	70.1	66.4	73.9	83.0	80.0	76.0
Exports of UK produce :											
Total	"	215.2	222.9	242.1	260.3	244.8	249.4	246.1	271.3	256.4	283.8
Manufactures	"	174.8	180.9	198.9	214.1	202.5	207.1	202.7	224.5	215.4	237.5
Re-exports	"	8.8	8.4	9.9	12.6	8.3	8.3	13.5	13.3	13.7	13.5
Balance of trade (exports less imports) ..	"	- 54.6	- 49.9	- 72.1	- 92.6	- 64.9	- 32.6	- 49.5	- 45.6	- 57.3	- 31.8
VOLUME											
Imports	1950 = 100	99	100	112	114 ²	...	104 ²	115	113	113	...
Exports	"	96	100	107	111 ²	...	97 ²	107	116	111	...
BY AREA											
Imports :											
Dollar area—total	£ million	52.9	51.6	70.2	80.1	66.9	60.5	69.8	62.6	65.6	65.5
" USA	"	21.1	23.5	35.1	39.9	29.9	27.8	34.1	28.9	31.0	33.7
" Canada	"	25.5	22.7	28.6	32.9	30.7	26.8	26.3	25.0	25.1	24.9
Non-sterling OEEC countries	"	64.0	68.1	79.6	79.5	71.4	75.0	74.3	83.0	80.0	80.1
Sterling area	"	125.3	124.8	131.1	160.8	135.4	119.8	123.5	140.1	136.7	135.2
Exports :											
Dollar area—total	"	33.7	31.3	34.8	33.8	35.8	35.2	41.6	43.3	42.7	59.4
" USA	"	14.3	13.3	16.6	16.9	16.3	14.8	19.6	18.6	19.1	25.5
" Canada	"	13.4	11.3	12.1	11.1	11.8	15.2	11.7	13.7	16.6	23.3
Non-sterling OEEC countries	"	62.2	64.7	68.1	77.6	67.1	69.7	64.8	78.4	73.0	76.0
Sterling area	"	105.8	112.2	120.9	131.9	125.2	123.0	120.4	129.8	120.4	125.4
Balance of trade (exports less imports) :											
Dollar area	"	- 19.2	- 20.3	- 35.4	- 46.3	- 31.1	- 25.3	- 28.2	- 19.3	- 22.9	- 6.1
Non-sterling OEEC countries	"	- 1.8	- 3.4	- 11.5	- 1.9	- 4.3	- 5.3	- 9.5	- 4.6	- 7.0	- 4.1
Sterling area	"	- 19.5	- 12.6	- 10.2	- 28.9	- 10.2	+ 3.2	- 3.1	- 10.3	- 16.3	- 9.8
TRADE IN SELECTED COMMODITIES											
Imports :											
Wheat	'000 tons	335.0	288.6	375.4	428.4	381.2	365.4	422.5	408.3	464.4	376.5
Meat	"	63.1	56.3	67.1	85.8	57.9	48.1	68.0	100.6	59.4	65.6
Sugar, unrefined	"	247.4	201.2	186.6	268.0	257.4	198.3	247.9	209.8	289.2	187.4
Raw cotton ⁽¹⁾	"	27.5	30.8	24.2	30.8	30.5	25.3	22.7	28.5	27.3	29.9
Raw wool, sheep's and lambs' ⁽¹⁾	mn. lb.	63.2	51.6	55.3	74.2	57.0	60.0	56.2	50.1	65.5	55.1
Rubber, natural and synthetic ⁽¹⁾ ...	'000 tons	18.4	20.6	24.6	25.9	21.7	17.7	23.8	27.4	17.1	10.4
Softwood	'000 stds.	119.1	122.0	140.6	106.0	79.7	104.2	55.2	51.5	58.7	82.7
Woodpulp	'000 tons	133.7	159.8	187.0	168.3	172.7	173.5	134.2	106.2	152.2	163.4
Crude petroleum	mn. galls.	558	606	602	623	656	578	640	598	663	679
Exports of UK produce :											
Coal, including bunkers	'000 tons	1,400	1,351	1,196	1,189	1,048	1,271	856	826	767	1,047
Woven piece-goods—cotton	mn. sq. yds	59	53	46	54	46	45	39	40	38	41
" " wool ⁽¹⁾	'000 sq. yds.	8,710	8,204	8,963	9,085	8,287	8,643	8,545 ⁴	9,398 ⁴	7,965 ⁴	8,948 ⁴
Passenger cars and chassis	number	25,181	30,487	31,100	35,470	38,233	33,577	24,271	28,898	28,749	29,752
Commercial vehicles and chassis	"	9,196	10,525	13,121	14,191	15,292	12,885	12,666	14,082	13,552	14,693
Agricultural tractors	"	7,807	8,908	8,720	11,565	10,170	10,115	8,249	8,028	8,943	9,337
Machinery—electrical	£'000	5,023	4,923	5,163	5,513	5,642	5,065	4,869	5,055	6,187	5,402
" other	"	30,145	30,553	34,669	35,963	35,161	36,700	35,911	40,474	39,285	41,403
Chemicals, elements and compounds ..	"	3,968	4,214	4,419	4,762	3,981	5,228	5,190	5,127	4,993	5,107

(1) Retained imports. (2) Average for first quarter. (3) Average for second quarter. (4) Excluding fents from January, 1956.

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 1955 prices
	1947-49 = 100						1948 = 100			1939 = 100	\$	
1939	50.1	36.5	59.4	47.1	52.5	76.1	42	48	88	100.0	23.86	45.97
1954	110.3	95.6	114.8	112.6	104.3	119.1	120	101	119	229.8	71.86	71.65
1955	110.7	89.6	114.5	110.9	103.7	120.0	119	102	117	304.6	76.52	76.52
1956, January	111.9	84.1	114.6	109.2	104.1	120.6	121	107	113	325.7	78.55	78.47
" February	112.4	86.0	114.6	108.8	104.6	120.7	122	108	113	330.0	78.17	78.09
" March	112.8	86.6	114.7	109.0	104.8	120.7	...	...	...	350.9	78.78	78.62
" April	113.6	88.0	114.9	109.6	104.8	120.8	...	...	...	355.4	78.99	78.75
" May	114.3	90.9	...	...	...	...	...	...	...	347.0	78.40	...

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rate	Total industrial production	Manufacturing production						Building New construction; seasonally adjusted annual rates	Civilian employment ¹			
			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 1947-79 =100; seasonally adjusted						\$ billion	thousands	% rate		
1939	91.1	58	49	54	47	66	80	49	8.2	55,230	45,750	17.2	
1954	360.5	125	137	108	175	116	100	142	37.8	64,468	61,238	5.0	
1955	387.2	139	155	140	203	126	109	159	43.0	65,847	63,193	4.0	
1956, January	398.6	{	143	160	148	205	129	111	165	43.1	65,775	62,891	4.4
" February			143	158	148	202	130	112	166	43.2	65,490	62,576	4.4
" March			141	156	145	197	127	107	166	42.6	65,913	63,078	4.3
" April			143	160	145	194	129	108	168	43.4	66,555	63,990	3.9
" May			142	158	143	188	129	108	168	43.6	67,846	65,238	3.8

TRADE

	Personal consumption Annual rates	All business ¹		Total retail ²		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manufactures	Total	Finished goods	Imports	Exports
	\$ billion; seasonally adjusted						\$ million				1948 = 100	
1939	67.6	10.8	20.1	3.5	5.5	190	62	41	260	139	76	53
1954	236.5	46.7	76.9	14.2	22.1	853	200	193	1,247	811	120	119
1955	252.3	51.7	82.2	15.5	23.9	944	237	231	1,279	782	134	120
1955, December	257.2 ³	53.2	82.2	15.8	23.9	999	268	255	1,387	828	140	127
1956, January		52.9	82.8	15.7	24.1	1,047	269	255	1,263	756	146	114
" February		52.9	83.6	15.3	24.2	1,041	262	246	1,343	830	143	120
" March		53.1	83.8	15.7	23.8	1,071	...	...	1,562	956	...	...
" April		53.2	84.4	15.5	23.8	...	...	...	...	...	...	...
" May	...	...	...	15.8	...	...	...	...	...	...	...	...

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
1954	287.6	202.8	12.0	30.13	22.47	85.3	70.6	67.8	- 3.1	0.953	2.52	2.90
1955	303.2	215.5	11.0	36.23	27.90	78.3	82.6	64.6	- 4.2	1.753	2.80	3.06
1955, December	314.3	223.0	10.6	36.23	27.90	78.3	82.6	5.7	- 0.8	2.564	2.88	3.15
1956, January	312.7	223.4	10.3	35.60	27.77	77.4	82.0	5.3	- 0.6	2.456	2.86	3.11
February	313.3	223.5	10.5	35.27	27.78	75.8	82.5	5.0	+ 1.2	2.372	2.82	3.08
" March	315.2	224.8	10.3	35.54	27.96	75.2	84.7	5.4	+ 5.9	2.310	2.90	3.10
" April	317.1	226.0	10.7	36.96	28.26	74.7	85.3	5.4	- 1.3	2.613	3.05	3.24
" May	...	...	...	...	...	...	...	...	...	2.650	2.94	3.28

Financial Statistics

EXCHEQUER RETURNS

For the week ended June 16th, 1956, there was an "above-line" deficit (after allowing for Sinking Funds) of £30,860,000 compared with a deficit of £46,384,000 in the previous week and a deficit of £11,589,000 in the corresponding period of last year. Net expenditure "below-line" last week reached £22,397,000, bringing the total deficit to £151,351,000 (£226,223,000 in 1955-56).

£'000	Estimate, 1956-57	April 1, 1955 to June 18, 1956	April 1, 1956 to June 16, 1956	Week ended June 16, 1955	Week ended June 16, 1956
Ord. Revenue					
Income Tax	2085,500	192,818	220,524	15,729	20,378
Surtax	144,000	17,400	21,500	1,200	1,100
Death Duties	170,000	40,000	38,300	3,000	3,500
Stamps	58,900	14,200	12,900	900	1,500
Profits Tax, E.P.T.	215,750	28,300	30,700	2,900	2,500
Excess Profits Levy	4,000	8,600	1,500	600	100
Special Contribution and other Inland Revenue	1,000	150	110	...	...
Total Inland Rev.	2680,150	301,468	325,534	22,529	28,778
Customs	1204,000	246,809	252,682	23,578	24,725
Excise	953,350	162,540	179,555	5,940	4,040
Total Customs and Excise	2157,350	409,349	432,237	27,578	28,766
Motor Duties	92,000	9,180	10,618	...	349
PD (Net Receipts)	10,000	6,650	10,400	850	50
Broadcast Licences	28,000	5,300	5,400	...	...
Sundry Loans	30,000	2,171	2,377	...	72
Miscellaneous	200,000	17,052	10,244	9	1,564
Total	5107,500	749,170	794,011	50,705	59,580
Ord. Expenditure					
Debt Interest	670,000	148,685	155,249	...	17,515
Payments to N. Ireland Exchequer	61,000	9,286	10,696	...	...
Other Cons. Fund	10,000	1,120	883	154	5
Supply Services	3979,685	691,012	735,691	61,800	72,000
Total	4720,685	850,103	900,519	61,954	89,520
Sinking Funds	37,000	5,824	5,810	400	920
"Above-line" Surplus or Deficit		106,748	112,318	11,589	30,860
"Below-line" Net Expenditure		119,475	39,033	29,955	22,397
Total Surplus or Deficit		226,223	151,351	41,544	63,257
Net Receipts from:					
Tax Reserve Certificates		27,689	62,598	802	2,100
Savings Certificates		8,700	13,800	700	1,600
Defence Bonds		1,071	21,572	100	353

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1955					
June 18.....	3,230.0	1,948.7	293.7	0.5	5,472.9
1956					
Mar. 17.....	3,210.0	1,624.2	254.4	...	5,088.6
" 24.....	3,230.0	1,561.8	315.2	...	5,107.0
" 31.....	3,220.0	1,568.0	294.6	...	5,082.6
April 7.....	3,240.0	1,561.2	277.7	...	5,078.9
" 14.....	3,260.0	1,575.5	270.4	...	5,105.8
" 21.....	3,260.0	1,600.6	286.0	...	5,146.5
" 28.....	3,250.0	1,425.5	219.9	...	4,955.4
May 5.....	3,240.0	1,431.1	251.9	...	4,923.0
" 12.....	3,250.0	1,426.6	257.4	...	4,914.0
" 19.....	3,220.0	1,435.1	277.8	...	4,912.9
" 26.....	3,220.0	1,446.4	271.4	...	4,943.8
June 2.....	3,240.0	1,439.6	245.0	...	4,922.6
" 9.....	3,260.0	1,472.4	244.0	0.8	4,977.1
" 16.....	3,280.0	1,216.0	240.6	...	4,736.6

THE MONEY MARKET

LOMBARD STREET enjoyed a bout of relief from the credit stringency in the middle of this week. On Wednesday, market funds were actually in surplus, and the Bank of England acted "in reverse," making small sales of bills. Around the week-end, credit was very short. Rates paid for overnight money have ranged from 5 per cent to 3½ per cent; dealings in two months bills have been at 4½ per cent.

At the Treasury bill tender on Friday last, the discount market maintained its bid at £98 14s. 11d. per cent for the third week in succession. The offer was reduced by £20 million, to £240 million, and as total applications fell by less than £18 million, to £396 million, the market's allotment declined further, from 43 to 41 per cent. The average rate of discount on all bills was down by about ½d. to £5 os. 4.2d. per cent. At yesterday's tender, the offer was £260 million.

The price of silver has declined, in sympathy with New York. On Monday the spot rate fell by ½d. to 78½d. an ounce, compared with 79d. an ounce a week before.

The Treasury bill rate in New York dipped below 2½ per cent this week, marking a decline of over ½ per cent since the increase in rediscount rates in mid-April.

LONDON MONEY RATES

Bank rate (from 4½% 16/2/56)	5½	Discount rates	Bank bills: 60 days	5½
Deposit rates (max)	3½	3 months	5½	5½
Banks	3½	4 months	5½	5½
Discount houses	3½	6 months	5½	5½
Money Day-to-day	3½-4½	Fine trade bills:	3 months	6-6½
Short periods	4½	4 months	6-6½	6-6½
Treas. bills 2 months	4½	6 months	6-7	6-7
3 months	5½			

* Call money.

BANK OF ENGLAND RETURNS (£ million)

	June 22, 1955	June 13, 1956	June 20, 1956
Issue Department:			
Notes in circulation	1,785.6	1,875.3	1,879.1
Notes in banking dept.	39.8	25.1	21.2
Govt. debt and securities*	1,821.2	1,896.3	1,896.4
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
Banking Department:			
Deposits:			
Public accounts	17.0	13.6	18.2
Treasury special account	9.3	0.6	0.2
Bankers'	245.0	226.4	231.8
Others	66.3	75.6	80.1
Total	337.6	316.2	330.3
Securities:			
Government	290.4	280.7	293.3
Discounts and advances	7.2	9.7	15.2
Other	16.0	16.7	16.6
Total	313.6	307.1	325.1
Banking department reserve	42.2	27.1	25.4
"Proportion"	12.4	8.5	7.0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased to £1,900 million from £1,875 million on May 25, 1956.

TREASURY BILLS

Date of Tender	Amount (£ million)			Three Months' Bills		
	Offered	Applied for	Allotted	Average Rate of Allotment	Allotted at Max. Rate*	%
1955						
June 17	260.0	365.6	260.0	79	5.17	85
1956						
Mar. 16	240.0	381.4	240.0	104	3.89	46
" 23	270.0	398.6	270.0	102	2.16	68
" 29	280.0	410.1	280.0	103	3.66	54
April 6	280.0	408.3	280.0	103	5.55	58
" 13	240.0	381.3	240.0	102	5.97	60
" 20	230.0	382.4	230.0	102	4.55	45
" 27	240.0	395.3	240.0	100	1.95	61
May 4	250.0	397.9	240.0	99	0.35	46
" 11	250.0	404.5	250.0	98	11.66	42
" 18	250.0	393.0	250.0	99	0.60	47
" 25	240.0	373.2	240.0	99	1.15	52
June 1	260.0	381.4	260.0	100	3.45	53
" 8	260.0	413.8	260.0	100	4.90	43
" 15	240.0	396.0	240.0	100	4.20	41

* On June 15th tenders for 91 day bills at £98 14s. 11d. secured 41 per cent, higher tenders being allotted in full. The offering yesterday was for £260 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates : Spot						
	June 20	June 14	June 15	June 16	June 18	June 19	June 20	
United States \$	2.78 2.82	2.80 2.80 1/2	2.80 2.80 1/2	2.80 2.80 1/2	2.80 2.80 1/2	2.80 2.80 1/2	2.80 2.80 1/2	
Canadian \$		2.76 2.76 1/2	2.76 2.76 1/2	2.76 2.76 1/2	2.76 2.76 1/2	2.76 2.76 1/2	2.76 2.76 1/2	
French Fr.	972.65 987.35	981.982	981.982	981.981	981.982	981.982	981.982	
Swiss Fr.	12.15 12.33 1/2	12.21 12.21 1/2	12.21 12.22	12.21 12.21 1/2	12.22 12.22 1/2	12.21 12.21 1/2	12.21 12.21 1/2	
Belgian Fr.	138.95	139.17 1/2	139.20	139.17 1/2	139.17 1/2	139.17 1/2	139.17 1/2	
Dutch Gld.	141.05	139.22 1/2	139.35	139.22 1/2	139.22 1/2	139.22 1/2	139.22 1/2	
W. Ger. D. Mk.	10.56 10.72	10.65 10.65 1/2	10.65 10.65 1/2	10.65 10.65 1/2	10.65 10.65 1/2	10.65 10.65 1/2	10.65 10.65 1/2	
Portuguese Esc.	11.69 11.84 1/2	11.69 11.69 1/2	11.69 11.69 1/2	11.69 11.69 1/2	11.69 11.69 1/2	11.69 11.69 1/2	11.69 11.69 1/2	
Italian Lire	79.80 81.10	80.05 80.15	80.05 80.15	80.05 80.15	80.05 80.15	80.05 80.15	80.05 80.15	
Spanish Ptas.	173.68 176.21	175.14 175.21	175.14 175.21	175.14 175.21	175.14 175.21	175.14 175.21	175.14 175.21	
Swedish Kr.	14.37 14.59 1/2	14.49 14.49 1/2	14.49 14.49 1/2	14.49 14.49 1/2	14.49 14.49 1/2	14.49 14.49 1/2	14.49 14.49 1/2	
Danish Kr.	19.19 19.48 1/2	19.35 19.35 1/2	19.35 19.35 1/2	19.35 19.35 1/2	19.35 19.35 1/2	19.35 19.35 1/2	19.35 19.35 1/2	
Norwegian Kr.	19.85 20.15	20.00 20.01 1/2	20.01 20.01 1/2	20.01 20.01 1/2	20.01 20.01 1/2	20.01 20.01 1/2	20.01 20.01 1/2	
One Month Forward Rates								
United States \$	1 1/4 c. pm	1 1/4 c. pm	1 1/4 c. pm	1 1/4 c. pm	1 1/4 c. pm	1 1/4 c. pm	1 1/4 c. pm	
Canadian \$	1 1/4 c. pm	1 1/4 c. pm	1 1/4 c. pm	1 1/4 c. pm	1 1/4 c. pm	1 1/4 c. pm	1 1/4 c. pm	
French Fr.	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	
Swiss Fr.	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	
Belgian Fr.	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	
Dutch Gld.	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	
W. Ger. D. Mk.	1 1/2 ppt. pm	1 1/2 ppt. pm	1 1/2 ppt. pm	1 1/2 ppt. pm	1 1/2 ppt. pm	1 1/2 ppt. pm	1 1/2 ppt. pm	
Italian Lire	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par	
Spanish Ptas.	3-20 dis	3-20 dis	3-20 dis	3-20 dis	3-20 dis	3-20 dis	3-20 dis	
Swedish Kr.	4-10 pm	4-10 pm	4-10 pm	4-10 pm	4-10 pm	4-10 pm	4-10 pm	
Danish Kr.	20 pm par	20 pm par	20 pm par	20 pm par	20 pm par	20 pm par	20 pm par	
Norwegian Kr.	20 pm par	20 pm par	20 pm par	20 pm par	20 pm par	20 pm par	20 pm par	
Gold Price at Fixing								
Price (s. d. per fine oz.)	249/4 1/2	249/5	...	249/5 1/2	249/5 1/2	249/5 1/2	249/5 1/2	

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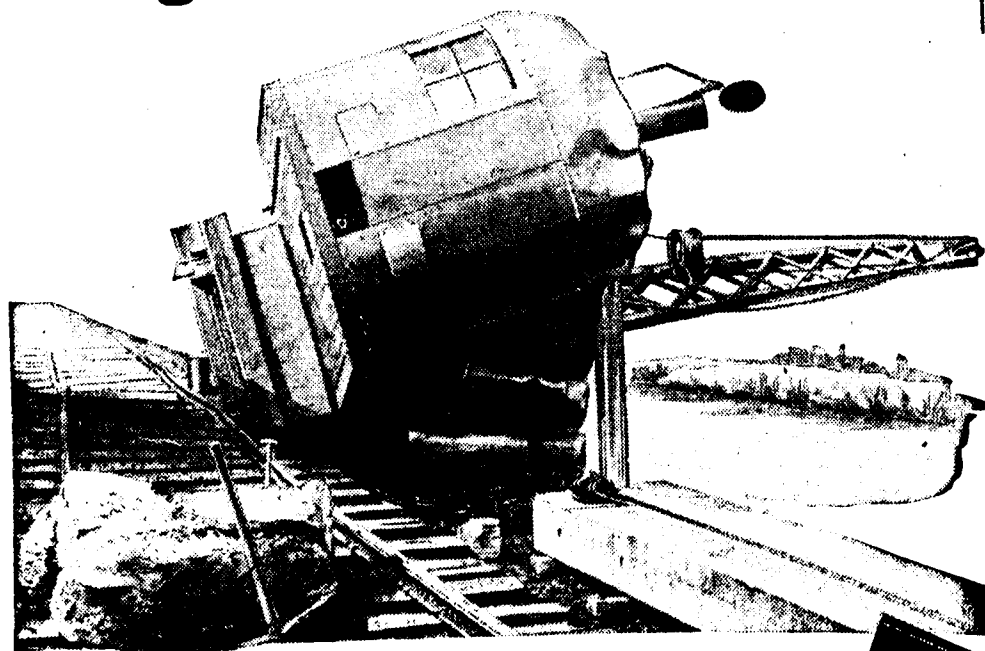
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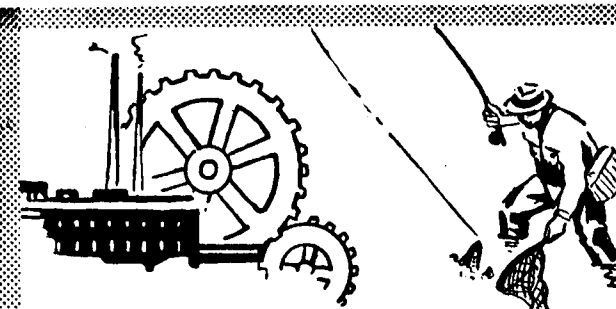
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COMPANY MEETINGS

MARKS AND SPENCER
LIMITED

TURNOVER AGAIN A RECORD—OVER £118 MILLION

CONTINUED EXPANSION AND MODERNISATION OF STORES

“ST MICHAEL” A GUARANTEE OF GOOD VALUE
AND HIGH STANDARDS

The thirtieth Annual General Meeting of Marks and Spencer, Limited, was held on June 14th at 82 Baker Street, London, W.1.

Sir Simon Marks, DSc (Chairman and Joint Managing Director), who presided, said: Ladies and Gentlemen, may I take it that, in accordance with customary practice, the Directors' Report and Accounts as circulated to you be taken as read?

DEATH OF THE RT. HON. L. S. AMERY, CH

Before we pass to the business of the meeting, it is my sad duty to report formally the death of one of our senior colleagues, Mr Leo Amery.

Leo Amery's association with the Company goes back nearly twenty years. He joined the Board in January, 1936, and, apart from the war years, when he held ministerial office as Secretary of State for India, he remained a member of the Board until his death last September.

Leo Amery was a man of rare vision and great charm. The vigour of his mind, expressed in speech and in his many writings, remained undimmed by age. He will be sorely missed in our deliberations.

PROFIT AND LOSS ACCOUNT

Our profit for the year, after tax, amounts to £4,955,000—an increase of £486,000 on last year. Provision for taxation requires £5,175,000 against £4,800,000. With £2,515,000 brought forward, there is available for distribution £7,470,000.

The Board recommends a final dividend on the Ordinary and “A” Ordinary Shares of 32½ per cent, which, together with the interim dividend of 17½ per cent, makes a total of 50 per cent for the year, against 45 per cent last year.

Two million pounds is to be transferred to the General Reserve, bringing it up to £10,536,000. After an increased allocation of £150,000 to the Staff Benevolent and Pensions Fund, and the payment of dividends, the balance carried forward will be £2,628,000. The total Reserves of the Company, Capital and Revenue, will amount to £33,886,000.

PROPERTIES

Our freehold and leasehold properties and their equipment stand in the Balance Sheet at £43,454,000, against £38,966,000 last year—an increase of nearly £4,500,000.

SUBSIDIARY COMPANIES

Our advances to Subsidiary Companies have increased by £505,000 to £2,624,000,

due to higher stocks of materials essential for our business.

GENERAL SURVEY

There was a further substantial increase in our sales during the year. The turnover exceeded £118 million, against £107 million last year.

The history of our business since the end of the war is a record of uninterrupted progress, which has kept pace with the rising prosperity of the community. Ten years ago in the first full year of peace, 1946-47, our turnover was a little over £26 million, and the profit, after tax, £1,176,000. Today we are able to report a sales volume four-and-a-half times as large, and a profit that has increased in a like proportion. The properties and other fixed assets of the Company, which in March, 1947, stood in the books at £8,250,000, now stand at £43,500,000 after the revaluation of our properties carried out early in 1955. Our stock of goods and materials at cost have risen from about £1 million to a little over £12 million.

Many factors have contributed to this remarkable expansion of your Company, but above all, it is due to our concentration upon the simultaneous development of our merchandise and our Stores. The character of our goods has been changing along with the character of our Stores.

MERCHANDISING POLICY

Throughout the postwar period, our merchandising policy has been governed by official schemes affecting the manufacture and the sale of textiles. The Utility Scheme dominated the scene until 1952. It was succeeded by the “D” Scheme, which had the effect of releasing our initiative to develop our own materials, specifications and original styles of garments.

Our achievement, during this short period of four years, in raising the quality, value and attractiveness of our goods to the public is the result of a combined effort on the part of many members of our organisation, in close co-operation with our Manufacturers.

We set high standards for our goods, which we seek not merely to maintain, but to improve. We, therefore, are engaged in a continuous study of developments in the textile field which will enable us to bring better and finer materials as rapidly as possible into the service of our public.

We specify or control the production of our fabrics, both woven and knitted, throughout all the phases, from yarn to finished materials, and so to the final garment. We are thus very much concerned with any new developments which may lead to improved or

more desirable fabrics. This task devolves upon our scientific and technical staff, who co-operate with our Executives responsible for the production and the distribution of the finished goods.

NEW TEXTILE TECHNIQUES

Many changes are taking place in the textile field. New techniques are being evolved to improve the traditional fabrics, such as cotton, wool and rayon. Of special interest to us is the growing influence of new man-made fibres upon our textile goods. Nylon and terylene, with their unique properties, are now making their appearance on a commercial scale. Until quite recently their share in our total sales was small, but it is now steadily growing. Nylon in particular, is becoming a most important factor in our increasing business.

We thus have at our command a great variety of fine attractive materials which are the basis of essentially new goods and values, and which our customers welcome.

It is with pride that we can state that 99 per cent of our textile goods are made in Great Britain from yarn to garment. Our brand-name, “St Michael,” is a household word, and a guarantee of good value.

FOOD DIVISION

Our Food Division, which is an important section of our business, specialises in a highly selective number of food items. This is particularly so in our Bakery produce department and Fruit department, which are growing in public favour.

We aim to satisfy the large and growing demand for quality foodstuffs at reasonable prices. In this policy we enjoy the co-operation of leading producers.

As the public well knows, we attach the greatest importance to hygiene and cleanliness in the production, handling, and counter display of foodstuffs. It is pleasing to report that our customers are most appreciative of the care we take in this regard.

PRICE POLICY

In the emergency Autumn Budget of last year, the “D” Scheme was superseded by a straight purchase tax of 5 per cent on the wholesale value. The effect was to increase the proportion of our textile merchandise bearing tax from 30 per cent to 80 per cent. The new tax was in operation for only five months of the last financial year, but our tax payment was £750,000 higher than it would have been under the former scheme. We bore a considerable proportion of this tax ourselves by maintaining our prices un-

changed for some months. We estimate the cost of this tax in the present year will amount to some £4,500,000 or £1,750,000 more than under the “D” Scheme.

We were much concerned with the effect of the purchase tax on our prices. We decided that a prompt re-examination of costs was called for in order to see how, despite the tax, we could maintain our prices at the pre-budget level at least.

A continued upward drift of prices, if unchecked, could only lead to a further inflation of the national economy. The vicious circle of prices and wages would continue with its baneful effect on our economy, and on the internal, as well as the external, value of the pound.

We, and our Manufacturers, have a common interest at all times in maintaining our values, and most certainly in countering upward price trends, which would have the effect of narrowing our market.

I am glad to report that our discussions with our Manufacturers have shown that they are in agreement with us as to the wisdom of this policy, and they are co-operating with us most readily. Our efforts have met with some success, and we have been able to lower our prices to the public over a wide range of goods. In so doing, we have maintained the same standards of quality upon which our reputation has been built. The reaction of the Press, and the response of the public to this policy, has been both gratifying and encouraging.

STORE DEVELOPMENT

In my speech last year, I told you that we had set in motion a considerable programme of building and development work. The lifting of building controls in the previous Autumn had enabled us, for the first time since before the war, to draw up a systematic plan for the extension and improvement of our Stores. I said that the investment required would be large, and, in order to ensure that the programme went forward at the pace we considered desirable, some additional funds would be needed.

We were, at the time, negotiating with the Prudential Assurance Company to borrow an additional £4 million. The loan, which was to take the form of a Debenture Stock Issue on most favourable terms, was finally agreed in the middle of July, 1955.

CHANCELLOR'S APPEAL

Our formal application for approval to make the Debenture Issue was submitted to the Capital Issues Committee on July 22nd, three days before the speech of the Chancellor of the Exchequer in the House of Commons on the balance of payments situation. He appealed to business firms to slow down investment not of the greatest national urgency, and asked all those embarking on investments projects to consider whether they could not postpone their initiation.

In their reply, the Capital Issues Committee asked us whether, in the light of the Chancellor's appeal, we needed to raise the proposed sum at the present time. After careful consideration, the Board decided that we should not proceed further in the matter of the Debenture Issue, but that we should revert to our long-standing policy of financing our development from our own resources.

CAPITAL EXPENDITURE

We had, however, embarked on the first stage of an extensive programme, which would necessarily take some time to re-phase. In the past year, we actually spent some £6,500,000, the largest sum we have ever

invested in Store development in any one year. There is a balance of work, amounting to approximately £2,500,000, to be completed during the current year, and we shall shortly be examining new projects for inclusion in the next stage of the programme.

In the past year we have rebuilt and reconstructed some 25 Stores, and in every case have substantially increased their space and facilities. This year we hope to complete the rebuilding of the last 3 of our bombed Stores. The 15 Stores which were destroyed by enemy action will all be in full operation during the present year. They now represent an important and imposing part of our chain.

POSTWAR DEVELOPMENT

Since the war, the sum spent on our development exceeds £25 million, all of which has been found from earnings. The bulk of this expenditure represents the cost of rebuilding and reconstructing many Stores on much more spacious lines. They have all been completely re-equipped with counters and display racks. Our properties have been maintained in good order and condition. Some £3,500,000 of this sum has been spent on the enfranchisement of a number of our leasehold properties, and on the purchase of additional land and sites. We have thus a substantial reserve of land for future development.

Modernisation has given our Stores a new look and a character more in keeping with the specialised goods we are selling. Our volume of business indicates that the millions of customers who throng our Stores each week find them pleasant and attractive places in which to do their shopping.

TRIBUTE TO MANUFACTURERS

We have, over the years, developed with our manufacturers a spirit of mutual understanding and confidence. We have learned to appreciate each other's special problems, and to deal with them in the most practical and helpful way. We have noted with pleasure their parallel growth with ours. Thanks to their investment in new factories, machinery and equipment, they have so increased their productive capacity as to be able to meet the growing demands of our public.

In our policy of up-grading the quality and the value of our goods, we have found in them most willing and able partners. In the search for better goods and values, our technical staffs work in harmony with each other, notably in agreeing on specifications and quality control. This team work and joint effort are important for the future development of our business, because it is mainly by pursuing modern methods that we can hope to find a still wider acceptance of the goods we sell.

It is therefore with great pleasure that I express, on behalf of the Board, our appreciation at the splendid co-operation of our manufacturers.

TRIBUTE TO STAFF

Each year I am privileged to ask you to join me in paying tribute to our staff. Our continuing success owes much to their loyalty and devotion, and to the skills they bring to their daily tasks.

In the past year substantial increases in wages have been awarded to our Staff, new scales have been introduced which have given much satisfaction. Apart from high standards of pay and annual bonuses, your Board is always concerned with the happiness and the well-being of the staff. We endeavour to provide the appropriate amenities, which help to create pleasant working conditions; com-

fortable lounges where they can rest and relax, attractive dining rooms where good meals are available at very low prices, are all at their disposal. To this service alone the Company contributed some £750,000 in the past year.

Our welfare work covers a wide field. We encourage and support all kinds of activities, social, cultural and athletic. Our staff organise this work for themselves, for their hours of leisure and pleasure. We believe that such activities help to cultivate a strong feeling of comradeship with each other, as well as to foster a sense of attachment to the firm, which your Board greatly prizes.

The report and accounts were unanimously adopted and the proposed dividend was approved.

The retiring directors, Mr Michael D. Sieff and Dr E. Kann, FRIC, were re-elected; the remuneration of the auditors, Messrs Deloitte, Plender, Griffiths and Company, was fixed, and the proceedings terminated with a vote of thanks to the chairman, directors and staff.

THE METROPOLITAN
RAILWAY SURPLUS
LANDS COMPANY
LIMITED

IMPROVEMENT IN REVENUE

The twenty-third Annual General Meeting of the Metropolitan Railway Surplus Lands Company Limited will be held on July 5, 1956, at Winchester House, Old Broad Street, London.

The following is an extract from the Statement circulated by the Chairman, Sir Bernard Docker, KBE:

The steady improvement in our revenue from rents, an average increase of 10 per cent each year since 1950, is again a welcome feature of the accounts for the year to March 31st last. Gross rents improved by £27,241 to £282,154. Net rents at £217,311 were up by £17,002. This year we received £50,000 from Ortem Estates Limited, our principal subsidiary, compared with £68,750 the previous year and £25,750 in 1954. In the result, we have £58,063 to carry forward, compared with £290,279 in the previous year. The provision for taxation takes £141,000, and we recommend a dividend of 6 per cent—the same rate as last year. On this basis we are left with £58,063 to carry forward, compared with £56,417 brought in. The consolidated balance sheet discloses a small expansion of assets of £161,708, bringing the total assets to £3,274,684 reflected in a bank overdraft compared with a credit balance at the bank the previous year.

CURRENT YEAR'S OUTLOOK

After referring to the affairs of subsidiary companies and reporting agreement to purchase the Littlehampton Estate, Sussex, on behalf of Ortem Estates Limited, and agreement to sell certain War-damaged sites in London at close on £120,000 expected to be received during the current year the statement concludes:

In the current year we shall have to meet a further increase in profits tax. Nevertheless, our rents continue to expand steadily and our principal subsidiary has good and active business in hand. These factors give us solid ground for feeling that over the next few years in the normal course of events we shall be able from time to time to make modest increases in the dividend.

BRITISH CELANESE LIMITED

MR G. H. WHIGHAM'S STATEMENT

The Thirty-seventh Annual General Meeting will be held at The Great Hall, Winchester House, 100 Old Broad Street, London, E.C.2, on Thursday, July 12, 1956, at 12 noon.

The following statement to Stockholders by the Chairman, Mr G. H. Whigham, has been circulated with the full Report and Accounts for the year ended March 31, 1956:

The net profit of the Group for the year, before taxation, is £2,446,550 compared with £3,341,246 for the previous year.

The net profit after deducting tax is £1,227,216 as compared with £1,710,140 for the previous year.

In arriving at the total taxation charge for the year of £1,219,334 credit has been taken for £185,000 in respect of Investment Allowance relief.

This relief has now been withdrawn by the Government as regards capital expenditure commitments incurred after February 17, 1956, and the amount which will be taken into credit in the financial year ending March 30, 1957, will apply only to orders outstanding at February 17, 1956; Investment Allowance relief as such will disappear altogether as regards contracts placed thereafter and Initial Allowances, which do not afford the same permanent relief, will be granted in substitution.

The Distributed Profits Tax, which was already a burden on equity stockholders, has been further increased. This tax also applies to Preference Dividends so that all the extra tax has to come from the equity earnings and further reduces the amount available for the equity stockholders. It is therefore most unsatisfactory to see this charge against them further increased.

Certain matters in respect of which it was considered desirable to provide for taxation in past years have been settled satisfactorily and as a consequence provisions amounting to £230,000 are now no longer required and have been transferred to the credit of Profit and Loss Account. We deem it prudent, however, to make some further provision towards the difference between the cost and the market value of our holding of British Government securities and we have accordingly transferred this amount of £230,000 to an account included in the Balance Sheet under the heading of "Other Provisions," which, together with the amount of £114,352 set aside last year, makes a total of £344,352 for this purpose.

After providing for dividends as shown in the Accounts and transfers to Reserves of £500,000, the carry-forward of the Group is slightly lower at £846,931.

I would again remind you that we have to spend large sums on the continuing modernisation of our existing plants and the development of new projects. Your Board, therefore, considers it vital to maintain the strength of the Company's Reserves especially in view of the unsettled economic condition of the country.

TRADING

Trading results for the year are disappointing and in giving you an explanation I would like to preface my remarks by reminding Stockholders of the position in

which the textile industry of this country has found itself during the past year.

Although we also sell chemicals and plastics, we are primarily a textile company and more than three-quarters of our turnover comes from textiles. During the past year, public attention has been so much directed towards the over-busy economy of the country as a whole, that it may not always be remembered that the textile industry has not been sharing the boom conditions. Falling exports, rising imports, increased dependence on sales in the home market, continually rising costs, have together created conditions of such difficulty that it is not surprising that the results so far published this year by many textile firms show substantially reduced profits.

While it has been for us a year of intense competition with lower prices in some cases, I am glad to be able to report that we have succeeded in maintaining our turnover, and as yet, without any substantial contribution from new products.

THE HOME MARKET

The home market, as I forecast last year, has remained a steady outlet for us. It is interesting to note the important place held by acetate in apparel textiles, since of all the continuous filament man-made fibres produced in this country for apparel (as distinct from industrial) purposes, acetate now represents about 40 per cent.

EXPORTS

I referred last year to the poor margins on export business as compared with Home Trade. There has been no change in this respect, and whilst we have exported a larger volume of yarn at lower prices, our exports of fabrics have continued to decline both in value and profit. The impact of Japan upon our overseas cloth markets and our problems in competing with the low wage costs of Far Eastern producers in general have been mentioned so many times that there is no need to elaborate further on this point, but I feel strongly about the type of competition from European producers. Although there is in Europe a large production of man-made fibres, we do not believe that in the main those producers are any more efficient than their British counterparts. Certainly their domestic prices are very much higher, but when it comes to exporting they seem to be able to sell at prices as much as 40 per cent below their domestic levels. It is established that in many cases they are assisted by what have been euphemistically termed "aids to export"—more bluntly, subsidies of various kinds. We have no such arrangements in this country, and while we can and do compete in quality and style, meeting their assisted prices makes textile export business extremely difficult and unattractive.

Last year I referred to the fact that we had acquired knitting plants in the Union of South Africa and in New Zealand. As I then said, these were acquired to ensure the regular consumption of our yarn in these countries. These factories are undergoing modernisation and reorganisation to suit our requirements, and although their own opera-

tions are not yet on a profitable basis, they are fulfilling their basic purpose.

COSTS AND PRICES

The main cause of our reduced profits has been the rapid and continual increase in costs which, owing to intense competition in the industry, we have not been able to recover by increased prices.

Although this has been said before, the position wants restating—there has been no increase in the price of continuous filament yarn since 1951. In the five intervening years the repeated wage and salary increases have outstripped the improved productivity and economies for which our workers, managers and research staff alike deserve credit. The costs of coal, oil, electricity, maintenance, packages and transport have gone up unrelentingly. The fall in imported raw material costs, which in our case represents only a small proportion of the cost of the resultant product, has long since been absorbed.

FUTURE OUTLOOK

The year that faces us seems to me at the moment to be similar in pattern to the last; a fairly steady offtake by the home market at keenly competitive prices and a further decline in fabric exports.

Quantities of our new yarn "Tricel" for bulk trial have been made and distributed to our manufacturing friends. These have been well received and are being commercially evaluated by them as well as by ourselves with every indication of success. The next phase of our production of this yarn, which will come into operation in the autumn of this year, will enable us to assess more closely the potentialities of this new product.

Our spun-dyed yarns are meeting with increased popularity and our sales are increasing.

As regards "Celon" (our nylon-6) yarn, the production is still in its early stages and we are consuming the output in our own textile sections.

Since last year we have taken steps to clarify the position of customers for our "Celon" products, particularly in the export markets. We have been in negotiation with British Nylon Spinners Limited who have agreed to grant a non-exclusive licence to the Company for the manufacture in the United Kingdom of nylon-6, and this will enable our customers to be entirely free to sell throughout the world their fabrics and garments made from "Celon."

As mentioned in my Statement last year, we have devoted much time and money in order to expand our interests, not only into new textiles, but also into chemicals, and we are continuing to do so. In this way we expect to improve earnings, but development of our new products, which are very promising, takes time and we cannot expect them to add materially to our profits this year.

In the meantime, in view of increasing costs and static selling prices already referred to, current trading gives no indication of any improvement in profits over those of last year.

WREXHAM

I am glad to state that our vinyl acetate plant began operations last April and it is turning out a product of excellent quality.

The new spinning plant at Wrexham came into commercial production on a progressively increasing level during the year and is now running at designed capacity. I am glad to inform you that the results of the operations at this factory have come up to our highest expectations both as regards quality and costs.

RESEARCH AND DEVELOPMENT

Steady progress has been made in the technical work which necessarily accompanies the introduction of yarns and fibres having new properties so as to ensure satisfaction in the hands of the user as well as to establish economies in their production. No one fibre, whether natural or man-made, can be a universal fibre. Already it is seen that some of the newly commercialised fibres are rather limited in their application. On the other hand, cellulose acetate fibres in their several forms continue to widen their fields of application.

Our studies continue in the fields of chemicals and plastics with a view to extending the range of our products and we are taking within our province the newer forms of plastic and fibre-forming polymers.

Throughout the Company's history it has been one of the important functions of the Research Department to enable us to effect economies by shortening or cheapening processes, increasing yields and improving qualities. If such functions were not efficiently carried out in these days of increasing costs from every direction we should be showing less favourable results. It is, of course, disappointing, and could be discouraging, that the economies we can make in an already efficient industry are so often more than offset by the increases in costs forced upon us.

In chemicals especially we are making more remunerative use of by-products and there are further opportunities for progress in this direction.

As far as is practicable we are still pursuing the aim of being self-supporting in the matter of raw materials.

In plastics, we are applying techniques, originally designed to deal with cellulose acetate, to some of the newer polymers, although we do not, as yet, make all these new polymers ourselves.

PERSONNEL

Last year I stressed the necessity for continued Government action to increase the supply of suitably qualified graduates for industry, and I am glad to observe from the recent White Paper on this subject that considerable attention is being given to this and allied problems. Industry has itself meanwhile made a valuable contribution by the creation of The Industrial Fund for the Advancement of Scientific Education in Schools which is designed to encourage at school level the entry into industry of a higher proportion of young people drawn from those schools not in receipt of public finance.

Our relations with our workpeople continue to be satisfactory and the responsible attitude of the relevant Trade Unions plays a substantial part in achieving this happy position. In a progressive industry such as ours changes in methods and procedure are constantly

being introduced in order to maintain our competitive position and the willing adoption of these changes by our workpeople is a welcome feature of our relationship.

Our employees at all levels, and in all departments, have given of their best during this past year and I should like them to know that their endeavours are appreciated by us all.

During the year we were fortunate in obtaining the services of Sir Eric Speed as a member of the Board. You will note that he retires in accordance with the Articles of Association and offers himself for re-election.

AMALGAMATED DENTAL COMPANY

RESULTS AGAIN SATISFACTORY

The fifty-first annual general meeting of The Amalgamated Dental Company Limited was held on June 15th in London, Mr Aiken Watson, QC, chairman of the company, presiding.

The following is an extract from the statement by the chairman circulated with the report and accounts:

I am happy to report another year of sustained effort with satisfactory results.

As manufacturers and distributors of virtually everything which the Dental Profession needs, one of our big postwar problems was to meet the world shortage of dental products without embarking on grandiose expansion likely to collapse under normal trading conditions. We have been faced with this problem not only at home, but also overseas where, operating alone or in conjunction with others, we make a substantial portion of our profit. We are now emerging from that stage.

Our manufacturing problems are in their way as complex as those facing manufacturers supplying a wider market. This is not always realised. If we are to maintain our lead, and to this end we are determined, greater research than ever is necessary. To meet this you will observe that we have set aside a substantial sum this year for this purpose.

RIISING LABOUR AND MATERIALS COSTS

Your Company cannot hope to escape for all time the natural consequences of rising costs in labour and materials. Our policy of maintaining stable prices at the expense of economies in production and distribution cannot be continued indefinitely. Equally, we are bound to feel the effect of national policies designed to protect the general economy both at home and overseas. The sudden re-emergence of import restrictions in Australia, where under a free economy we enjoy substantial exports, is a case in point.

With these factors in mind and the general effect of financial stringency now emerging in various parts of the world, you will appreciate I am sure the need for caution in any forecast of the immediate future. Subject to that proper reserve, I am happy to say that the course of current trading, while presenting a challenge to our enterprise, leads me to hope that the results for the current year will prove to be not unsatisfactory.

Annual thanks to our management and staff at home and overseas tend to become stereotyped but I am very sincere in thanking them once again for their loyalty and for the year's work well done.

The report and accounts were adopted.

W. T. HENLEY'S TELEGRAPH WORKS

RECORD BUSINESS

The seventy-seventh Annual General Meeting of W. T. Henley's Telegraph Works Company Limited was held on June 14th in London.

Sir John Dalton, MIEE, FCIS (Chairman), in the course of his speech, said: Our business in 1955 reached an all-time record considerably in excess of that in 1954, and although the year was not without its difficulties, nevertheless our Group trading profit reached the very satisfactory level of £1,898,000, as compared with £1,047,000 for 1954. The final dividend on the Ordinary Stock recommended by your Directors is 9 per cent, making 11½ per cent for the year; this is one per cent more than in recent years.

A great factor in our success for 1955 was the very much larger turnover, exceeding by some millions the figure attained in any previous year. We have again had to face considerable fluctuations in the prices of our principal raw materials. Following the decision of the Cable Makers' Association to implement the recommendations of the Monopolies Commission, new terms were introduced for rubber and thermoplastic insulated cables and other items in the home market.

Our Contract Organisation has also had a very successful year.

THE FUTURE

Our ability to maintain the good trading results achieved last year must, of course, depend very largely upon the demand for our products continuing at a high level. We began this year with a fairly substantial order book and the total value of orders received to date has been well maintained in relation to the corresponding period of 1955. Nevertheless, there are certain economic trends which might adversely affect prospects.

On the other hand, these adverse influences may be mitigated to some extent by the Government's programme of Main Line electrification scheduled for the Railways and its plans for the extended electrification of the Collieries; also by a continuing heavy demand for cables for Shipbuilding as well as by the continued expansion of those industries mainly concerned with exports which are receiving official encouragement.

As regards export business, it appears probable that World markets will continue to expand in 1956, and we anticipate being able to maintain a satisfactory volume of overseas sales.

Three weeks ago I had the honour of presiding over the British Electrical Power Convention—the largest Convention of its kind anywhere, so I am told. It embraced both the private enterprise and the nationalised sides of the Electrical Industry—probably now the greatest Industry in the Country and certainly an Industry which is a contributor of magnitude to the Nation's economy.

The reflections on the Convention leave no doubt that the Industry is dynamic and full of plans for the future. Its record of exports for 1955 of over £245 million is an outstanding achievement, and, on the basis of the statement made in the Government's Economic Survey for 1956 that "a high rate of productive investment remains an important national objective," it must follow that electrical plant, machinery and cables are vital to the achievement of that objective.

The report and accounts were adopted.

SPILLERS LIMITED

(Flour Millers and Animal Feeding Stuffs Manufacturers)

LARGER PROFIT AND DIVIDEND

SERVICE TO AGRICULTURE

REMOVAL OF BREAD SUBSIDY

MR WILFRED D. VERNON'S STATEMENT

The sixty-ninth annual general meeting of Spillers, Limited, was held on June 15th at the Abercorn Rooms, Great Eastern Hotel, London, E.C., Mr Wilfred D. Vernon, chairman of the company, presiding.

Mr Henry Reeve, MC, of Messrs Impey, Cudworth and Company, read the auditors' report.

The following is the chairman's statement circulated with the report and accounts for the year to January 31, 1956:

As is our custom the more detailed comments on the accounts are contained in the Directors' Report.

The trading results for the year show a profit before taxation of £3,759,000 (as against £3,414,000 last year) and an available balance after taxation of £1,616,000, compared with £1,488,000 a year ago. The Board are recommending to the Stockholders that the total distribution on the Ordinary Stock be 12 per cent as against 11 per cent last year. This, together with the dividends on the Preference Stock and to minority interests, would absorb £676,000, thus retaining in the business £940,000 in addition to the provision for depreciation and obsolescence of £1,230,000. I might add that reserves were further augmented during the year by certain receipts from the Ministry of Food and the War Damage Commission and other adjustments not related to the trading operations of the year totalling in all some £583,000 net.

MORE CAPITAL EMPLOYED

The improvement in the trading results has to be related *inter alia* to an increase in the Capital employed of about £2½ million. The Consolidated Balance Sheet shows that at the year end the total capital employed in the business had risen to some £22 million. This is on the basis of the written down book value of the fixed assets which is very considerably below their actual value today. In terms of real value the capital employed is much greater than that shown in the accounts.

It is of the first importance that industry in this country should maintain and increase its efficiency. A primary prerequisite towards this end is capital investment in the modernisation and expansion of operating equipment. It is a source of anxiety in the milling industry, as in others, whether at today's level of capital costs a reasonable return can be obtained on an investment in new works. So far as flour milling is concerned it is apparent that current margins can only support major new construction if it is combined with assets installed before the onset of inflation and the ability to do this must clearly diminish as time goes on.

FLOUR TRADE

While our flour trade showed a further small decline over the year as a whole, it improved in the latter part of the year, and this improvement has since continued. I

cannot say with any certainty whether this will be maintained since there is strong competition from imported flour which, in our opinion, is being offered at prices that can hardly be economic to the manufacturer and perhaps might come within any reasonable interpretation of "dumping."

In the field of agriculture we have continued to render considerable service. During the year we have used in our mills some 300,000 tons of home grown grain, and have played our part fully in honouring the pledge that the flour milling and compounding industries gave to the Government in this respect. This grain was purchased through merchants who are a most important and useful link between the farmer and ourselves. I think it is worth recording that the deficiency payments system for wheat has now been tried out both under conditions of a bad harvest and a good harvest and has proved to be satisfactory and fair to purchasers, processors and farmers.

The modernisation of our buildings and plant for the manufacture of compound animal foods is constantly engaging our attention, and the major extensions to our plants in London and Birkenhead will, I hope, be completed during the year.

ANIMAL FOODS

While a drop in the pig population, coupled with the record home barley harvest, brought about a general decline in the demand for pig-fattening foods, there has been further progress in our poultry foods, in which record deliveries were achieved. In keeping with our desire at all times to give the farmer the best and most economical service, we are taking a lead in the development of the delivery of animal foods in bulk as we did in flour.

Although our feeding stuffs are marketed through merchants, we continue to keep in close touch with farmers through our Advisory Service. The high quality of our animal foods is maintained by a continuous programme of research at our animal foods Nutrition Laboratory at Middle Aston, Oxfordshire, in conjunction with feeding trials at the Farm. This ensures that the latest scientific developments are applied in the manufacture of our animal foods. This programme of research and testing is supported by strict control of quality by our Central Laboratory at Cambridge, which ensures that only ingredients of a suitable quality are used, and that our finished products are of a consistently high standard.

The popularity of our dog foods continues and their high quality is being increasingly recognised by all dog lovers.

BAKING INTEREST

Last year I indicated to the Stockholders that we had decided to increase our financial interest in the baking industry. The various baking units which we have acquired have now been grouped under a new holding

company named United Bakeries Limited the whole of the capital of which is held by Spillers Limited. Mr H. W. Pratten, who for many years past has been our Chief Accountant, has been appointed Managing Director of United Bakeries. Mr Colbourne and Mr Harrison, the Managing Directors of two of the principal underlying companies, who have had great experience in the baking industry, have also joined the Board of United Bakeries.

It has been our policy that the day-to-day management of the individual companies should continue substantially unchanged and we are fortunate in having the direction of these companies in the hands of able and energetic men who, in most cases, have spent the whole of their business lives in the trade. The new organisation has naturally to face some initial problems but it is running smoothly and the earnings of the baking group have contributed to the improved results for the year.

WHEAT AND GRAIN SITUATION

I now refer to one or two features in the wheat and grain situation. It is satisfactory to note that the Government decided that this country should not become a party to the recently re-negotiated International Wheat Agreement. If I may say so, I am sure that this decision was right as preserving freedom of action in the acquiring of this country's wheat supplies and I venture to predict that these will in consequence continue to be obtained more economically than would have been possible under the Agreement.

The fob price of imported wheat again remained relatively steady throughout the year. There was, however, a further general and substantial advance in ocean freight rates thus increasing the landed cost in this country. The effect on freight rates of the pressure on dry cargo shipping due to increased movement of commodities and in particular to shipments of coal from the USA to Europe is disturbing.

The arrangements for marketing home-grown wheat have generally operated smoothly, and all available supplies have been taken up. Prices of maize and barley, which fell during the year, have since risen steeply.

It is gratifying that the considerable capital expenditure incurred during the past year on both modernisation and extension of existing plant and the acquisition of new subsidiary companies was financed wholly from our own resources. It is worth recording that over the last ten years we have expended some £17 million on fixed assets and increased working capital without recourse to the capital market or temporary borrowing.

TWO IMPORTANT MATTERS

It is appropriate that I should mention two matters of importance to the flour mill-

ing and baking industries and, indeed, to the public generally, which have occurred since the close of the financial year. The first concerns the Government's decision to withdraw the subsidy on bread, and the second the conclusions of the Cohen Committee set up to determine the differences in the composition and nutritive value of various flours and to advise whether these differences were significant from the point of view of the health of the population.

Over a long period much controversy has surrounded the question of whether it would be in the interest of public health that bread should be made only from long extraction flour. It is therefore eminently satisfactory that this can now be regarded as decided by the independent and authoritative pronouncement of the Cohen Committee. They

consider that bread made from either 80 per cent extraction flour or 70 per cent extraction enriched flour is an excellent food. They further conclude that the available evidence does not reveal any ascertainable differences which would significantly affect the health of the population in any foreseeable circumstances between National Flour and flour of a lower extraction rate enriched as specified in the Flour Order, 1953. It would therefore appear that the public can, with confidence, consume bread made from any of these flours according to the individual taste.

The removal of the bread subsidy will not only relieve the Exchequer of a considerable burden and remove artificiality from the price structure, but in the narrower field of milling and baking will give the public a wider choice.

THE INDUSTRIAL AND GENERAL TRUST

REVENUE SURPASSES ALL RECORDS

The sixty-eighth annual general meeting of The Industrial and General Trust, Limited, was held on June 14th in London.

Sir Edwin Savory Herbert, KBE, LLB (the chairman), who presided, said:

Before proceeding to the formal business of the Meeting I must refer to the grievous loss we suffered earlier this year by the death of our colleague, Mr Stuyvesant Henry Le Roy-Lewis. He was first appointed to the Board in February, 1931, and his many and varied interests made him an invaluable colleague. We greatly miss his advice and shrewd judgment.

Since the end of the financial year your Directors have appointed Mr John Lindsay Eric Smith to the Board. His father, the late Captain Eric Smith, was a Director of the Trust and was held in high esteem and respect in the City of London. We welcome him as the son of his father, but it is his own abilities and experience which will make him so valuable a member of the Board. A proposal for his re-election will be submitted to you later in the Meeting.

THE YEAR'S RESULTS

As the Report and Accounts have been in your hands for some three weeks, I presume it is your wish that we should take them as read. (Agreed). Nevertheless, there are one or two points with regard to them to which I should like to draw your attention.

Once more the gross revenue of the Trust has surpassed all previous records. The increase over the previous year is £210,000 and this increase, incidentally, takes our revenue comfortably over the £1½ million mark for the first time. Although we received about £4,000 less arrears of income during the year, this was more than offset by an increase of about £15,000 in our recoveries through double taxation relief.

Our liability for income and profits taxes has increased by £72,000 to £642,000, but we have been able to offset against it £8,000 over-provided for profits tax in previous years. After deducting our tax liability and all other expenses, the net revenue for the year was £714,534, which is about £142,000 more than in the previous twelve months. Adding the amount of £348,000, brought forward, there is a total of about £1,090,000 to be dealt with.

It was decided to repeat last year's appro-

priation of £150,000 to General Revenue Reserve, making a total of £1 million in that Reserve, and to place another £5,000 to Contingencies Reserve. The Interim dividends paid last November of 2½ per cent on the Preference Stock and 7½ per cent on the Ordinary Stock absorbed £173,000, leaving a balance of £762,000. The Directors now recommend the usual payment of 2½ per cent on the Preference Stock and a Final dividend on the Ordinary Stock of 17½ per cent, making 25 per cent for the year. The Final dividends, if approved, will require £375,000 and will leave a balance to be carried forward of £386,000, an increase of £38,000 over the amount brought in.

Stockholders will no doubt agree that these results can be considered very satisfactory; the recommendation of an increase in the Ordinary dividend is after substantial transfers to Reserves, the total of which is now £1,700,000.

The proposed Final dividend of 17½ per cent on the Ordinary Stock compared with the Interim dividend of 7½ per cent, emphasises the disparity between these dividends. The Board feel that Stockholders would appreciate a more even distribution and they therefore intend, providing circumstances warrant it, to increase the Interim dividend normally paid in November. I make this statement now so that no Stockholder will be misled into thinking that an increase in the Interim dividend is an indication of a higher total payment for the year.

The Balance Sheet requires no special comment from me. I would only mention that the valuation of our investments shows an increase of some 5 points over that of last year.

COUNTRY'S ECONOMIC CONDITION

The results of an Investment Trust are sometimes misleading in so far as they do not immediately reflect fully any change in the country's prosperity. We may therefore find that the results of the current year are not very different from those before you today. Nevertheless, the economic condition of this country, since I last addressed you, has worsened. It is not easy to decide where the fault lies. The answer is probably that a number of factors have joined to upset our economic balance.

Whatever the cause, there is no doubt that

TRIBUTE TO STAFF AND WORKPEOPLE

I would again express our warm appreciation of the services of the management, staff and workpeople throughout the group. I should in particular like to express the hope that all those concerned with the organisations which have joined us during the year will be happy in their association with us.

The report and accounts were unanimously adopted; the proposed dividend was approved; the retiring directors, Mr Humphrey B. Vernon, MC, and Mr C. Paslew Rishworth, were re-elected; the remuneration of the auditors, Messrs Impey, Cudworth and Company, and Messrs Deloitte, Plender, Griffiths and Company, was passed, and a special resolution was adopted increasing the fees of the chairman and directors.

the economic position of this country is now serious. Inflation must be halted but although some measures to this end have been taken, one cannot help but wonder whether they are far-reaching enough to obtain their objective. There are ominous signs that another round of wage increases is going to be demanded regardless of, and certainly without full appreciation of, the consequences. The export market is today more intensely competitive than it has been at any time since the war and any addition to our present costs will tend to price this country out of that market.

These problems are not entirely new. They have been with us in some degree ever since the end of the war. It is the solution of them which is the difficulty. It cannot be found through the placation of any one section of the community at the expense of another, it must come as the result of an intensified national effort directed to the benefit of the country as a whole without over regard for particular sectional interests. Only in this way can we hope to maintain our standard of living, quite apart from any question of doubling the standard in the next twenty-five years.

Nevertheless, the remedies lie in our own hands. I have faith in the future of this country based on the fundamental good sense of my fellow countrymen. No matter to what extent extremists of one kind or another appear, from time to time, to influence affairs, the moderate views of the ordinary man will eventually triumph, as they have always done.

Fortunately the Trust's investments are widely spread so that in any but exceptional circumstances we may expect to find a decline in revenue from one source offset by an increase in that from another.

TRIBUTE TO EXECUTIVES AND STAFF

It is no mere formality when I offer, on your behalf as well as that of the Board, our thanks to our Managing Director, Mr Ockford, Mr. Bussy, our Secretary, and to all the Staff for their consistently hard work during the year, which has helped to make possible the results now before you.

You will, I know, be interested to learn that next week Mr Ockford will complete 40 years service with the Trust and I am sure you will wish me to offer him our heartiest congratulations on this record, which he will share with our two previous Managing Directors, Mr Poole and Mr L. A. Stride. This is an achievement of which he may well be proud and we sincerely hope that we may have the benefit of his accumulated store of knowledge for many more years to come.

The report and accounts were adopted and the other formal business duly transacted.

ROLLS-ROYCE LIMITED

EFFORTS TO SECURE NEW BUSINESS NULLIFIED BY SCOTTISH STRIKE

FORMIDABLE TECHNICAL PROGRAMME TO MEET CHALLENGE OF THE FUTURE

The forty-ninth annual general meeting of Rolls-Royce Limited will be held on July 10th at the Midland Hotel, Derby.

The following are extracts from the circulated statement of the Chairman, The Right Honourable Lord Hives, CH, MBE, LLD, DSc:

There is little doubt that but for the strike at our Scottish factories the turnover within the group during 1955 would have established yet another record. Production in Scotland, however, was at a standstill for seven weeks. In other respects the output must be regarded as satisfactory because it was achieved in spite of changes in government programmes and the inevitable difficulties associated with the changeover of models in the Motor Car Division. The loss of turnover which resulted from these causes was to a large extent offset by satisfactory increases in commercial work, particularly in the Aero Engine Division and also in the Oil Engine Division.

It would be misleading to interpret the real cost of the strike only in terms of immediate loss of profit, though even by that criterion the cost was substantial. Not only was there the loss of profit on the normal turnover, but there were the high costs of maintaining the establishment—including the payment of salaries to 4,000 members of the staff—so that work could be resumed as quickly as possible. The effect of these costs on the trading profit for the year is obscured by the improved trading results from our increased commercial business, and it is a great disappointment that the efforts which have gone to securing this new business, bringing in its train greater stability of employment and, indeed, work for more people, should be so nullified.

As a result of a relatively lower provision for taxation, the profits available for appropriation show little change from the previous year. Your Directors have already announced their intention to recommend a final dividend at the same rate as last year, namely, at the rate of 12½ per cent on the capital as it was constituted at December 31, 1955.

There is much that is encouraging in our assessment of the future, but we must continue to conserve our resources to meet the heavy expenditure involved and there are the inevitable risks attendant on new projects; your Directors have no hesitation in recommending that a further substantial appropriation should be made to general reserve.

WORKERS' SHARES

At our last meeting the stockholders approved proposals that 10 per cent of the issued equity capital should be constituted as workers' shares, and £600,000 in workers' shares of 10s. each were created. Since then the issued capital has been increased by £1,100,000, and the Directors recommend that in pursuance of the policy approved last year a further £110,000 of the unissued capital of the company should be designated workers' shares.

Last year an offer of workers' shares was made to all employees having more than five years' continuous service—some 18,000 people—and as a result 619,234 workers' shares were issued, although applications received were considerably in excess of this figure.

These shares are now held by 6,600 employees. It is the present intention of the directors to make an issue of workers' shares each year until the total amount has been taken up. In this way it will be possible to offer a participation to employees as they become eligible year by year, and also to reserve shares for those who may not immediately be in a position to pay for them.

STRENGTH OF COMPANY'S POSITION

The strength of the company's position continues to grow from the experience gained in the use of its products throughout the world. Many thousands of gas turbine engines and vehicle engines of all kinds are being operated under a wide variety of conditions. There is no substitute for experience of this kind, and it is against this background that we are constantly effecting improvements which enable us to probe new markets and move into new fields of technical development with confidence. After outlining the steps taken by the Company to contribute to the government programme for the development of power plants for guided weapons, and in connection with studying the application of nuclear energy, the statement continued:

These, however, are only examples of the way in which your Company is continually looking ahead. For the present and the immediate future we continue to supply by far the largest proportion of engines required by the Royal Air Force, while our business for other customers, and particularly the civil airlines, continues to expand steadily.

The combined turnover of the group for customers other than the British Government expanded still further to a figure of £23 million, and new orders were received at an even greater rate.

In Canada our subsidiary company had a busy year and can look forward to a high level of activity derived from the growing use of our products, particularly by airlines in both Canada and America.

Our company in Australia has established a good reputation for the work which it has set out to perform.

DIVISIONAL ACTIVITIES

Aero Engine Division.—Our production factories were fully occupied throughout the year with programmes for the British Government, for foreign governments, and for civil aircraft—the Viscount in particular.

Last year I told you of the decision to provide a facility for testing engines under high altitude conditions. This project has been prosecuted with great energy because the information to be derived from such a plant is vital to our future plans and is becoming impossible to obtain by any other means. It is clear that the total cost, at the present level of prices, will be in excess of £4 million.

Our business with foreign governments has been well maintained, and Rolls-Royce engines are being installed in aircraft built in America, Australia, Belgium, Canada, France, Holland, Italy, Spain and Sweden.

Civil Aviation.—The steadily growing output of Vickers Viscount aircraft has, of course, to be matched by our output of Dart

engines. In last year's report I recorded that 300,000 engine-hours had already been flown in scheduled service. This figure has now increased to nearly a million hours, and it is being added to at a steadily increasing rate.

Great prominence has been given in recent months to the aircraft and engines being considered for future airline operation, and there will, undoubtedly, be much competition for the available business. The Dart engine, however, is still the only gas turbine engine in the world operating scheduled services, and is the only turbine propeller engine in quantity production at the present time. The future of this engine is already assured, and there are still further developments in increased power and reduced fuel consumption to come. Your Company is in a unique position among the aero engine builders of the world in having under development four different types of gas turbine engines specifically designed for transport operations.

The International Air Transport Association have issued figures which show that in 1954 only 8 per cent of the engines used by the members of the Association were British engines. At present their fleets are powered largely by piston engines. The inevitable change to gas turbine engines which is going to take place over the next ten years clearly presents a tremendous challenge to all concerned with the development of British aero engines to obtain a larger share of the business and at the same time make a significant addition to national exports. In accepting this challenge, and at the same time maintaining the pressure on development work for future military requirement, your Company have undertaken what is, indeed, a formidable technical programme and one which will involve the spending of very considerable sums of money in the foreseeable future both by way of private venture developments and the provision of the necessary equipment.

It is clear that our future, and, indeed, the future of the British aircraft and engine industry, depends upon obtaining a larger share of world markets.

Motor Car Division.—In my statement last year, I said that the new Rolls-Royce Silver Cloud and "S" Series Bentley models which, at that time, had been recently announced, had met with great approval. This view has been confirmed by subsequent and fuller experience. At the time of writing this report the Crewe factory is producing cars and also exporting them at a higher rate than at any previous time in the company's history.

The output of "B" range petrol engines for use in military and commercial vehicles has been well maintained.

Oil Engine Division.—The world markets for the products of this division continue to expand, and at present Rolls-Royce oil engines are operating in 53 countries extending from the Arctic Circle to New Zealand.

On the manufacturing side, the planned output in 1956 will be more than twice that of 1955, and for 1957 a further 50 per cent expansion is envisaged.

The Chairman then reviewed the overseas activities and the progress of the Associated Companies.

MILK MARKETING BOARD

RECORD OUTPUT

MR THOMAS PEACOCK'S SPEECH

The Annual General Meeting of the Milk Marketing Board was held on June 15th in London.

Mr Thomas Peacock, CBE, JP, the Chairman, in the course of his speech, said:

Output of milk in each month of 1956 has been a record and taking the five months January to May together, 39 million gallons more milk have come from the farms than the record totals of two years ago. Quite apart, however, from the favourable season, there has been a small increase in the number of cows on dairy farms and we believe there has been a renewed upward movement in the yield per cow, which now stands at about 685 gallons. This is an estimate of the yield of all cows on milk selling farms and it compares with the figure of about 560 gallons before the war—an increase of more than 20 per cent. This is only one measure of the great rise in efficiency which has taken place in milk production in this country.

GRADUAL UPWARD TREND

Reviewing all the measurable factors, we believe that there are signs of a gradual upward trend in total milk supplies which will become apparent in the next few years if production conditions are favourable. For this reason I want to take this opportunity of making it very clear to milk producers that if supplies continue to rise, then the effect will be clearly felt in the lower prices paid to producers. It is still not generally understood that the guaranteed price decided by the Government following each Annual Review is a price which is guaranteed only for a certain standard quantity of milk, which for England and Wales at present is 1,651 million gallons. Milk which is sold from farms over and above this standard quantity is also guaranteed by the Government but only at the manufacturing realisation price, so that for this milk, producers earn only what the market pays.

The real point is that the greater the proportion of the total output of milk which is in excess of the standard quantity the lower will be the average price per gallon paid to producers for the whole of the output. The guarantee arrangements provide for an immediate effect on producers' prices without any direct loss to the Government if supplies rise above the standard quantity. I will illustrate this by saying that if total output in the year is the same as the standard quantity then the price paid for all milk will be the same as that guaranteed at the Annual Review. If, however, output is 50 million gallons in excess of the standard quantity then this will reduce the average guaranteed for all milk by maybe a penny a gallon at present prices. If the excess quantity is 100 million gallons which is likely this year then the price payable might be as much as twopence short of the Review Price.

COST OF PRODUCTION

Our great liquid milk market is the foundation of our industry—it is our only profitable market and do not let us forget that its size is 76 per cent greater than pre-war and its cash value annually is around £400 million sterling. Any recession in this market, even a small one, will have serious consequences for producers and distributors. This is why, of course, the dairymen and

ourselves must be prepared to use every endeavour continuously to expand its scope. The amounts which we allocate to publicity and sales development in this market are already considerable. But in relation to turnover they are still small. I feel sure that the Board will not hesitate to increase this effort if the situation seems to call for it and I feel quite sure that we shall have the full support of the great body of the producers of milk.

We realise that to expand the liquid market to the present level is no easy task. Indeed, I must say quite plainly that it is most unlikely that the liquid market in the next few years will expand at the rate at which total supplies of milk at this moment appear to be increasing. In the circumstances, therefore, we must face the prospect that unless total output of milk keeps in step with the trend in the liquid market, the average price that the Board can pay to producers must, as long as the present guarantee arrangements operate, tend to fall, in relation to the guaranteed price decided each February at the Review.

It follows that costs of production will need to be further reduced if profitability is to be maintained. We attach great importance to the improvement in efficiency in production of milk on farms which has already led to substantial reductions in real costs per gallon.

MARKETING PROBLEM

We have experienced considerable difficulties in the last few weeks when the Board have had to dispose of the largest quantity of milk ever produced at the peak of the year. The task we have is a familiar one in the marketing of most agricultural commodities—it is to bring the produce of small units, widely dispersed, to large concentrated urban markets. Our problem is, of course, aggravated by the standstill arrangements which existed during the very long period of Government control. The milk producing side of the industry is still predominantly an industry of small farms. Last year we asked milk producers to give the Board certain details of the size and composition of their herds. The figures show that the average size of the herds on milk-selling farms is still only 17 cows and that one half of our milk supply comes from herds of less than 24 cows. There has been some tendency for dairy herds to increase in size since the last time we asked milk producers for this information but the general pattern of the industry is still largely based upon large numbers of these small herds.

PRODUCTION BONUS

In this connection I want to mention the Board's decision to abolish the production bonus gradually over the next three years. As much as the Board wish to help the small producers they do not believe that a policy of differential prices is either the proper or the fair way of giving such assistance. The Board up to now have believed that each milk producer should receive the same price as his neighbour, within a region, providing he gives the same service. Differential prices should be related to the different services. Having said this I wish to make it very clear that we are very conscious of the problems of the small producer and most of the producers of milk are small men. Recently we have

done our best to persuade the Government to extend to milk producers who are situated in livestock rearing areas the benefits of the Livestock Rearing Act which is to be renewed this year for a further period.

So far our efforts, in which the National Farmers' Union have joined, have not been received with as much sympathy as we expected, but it is our earnest belief that if milk producers in these areas of poor land can have assistance in improving their farms then we shall have a much sounder foundation for our industry. Here is an opportunity for the Government to assist the industry. In any scheme of capital re-equipment, reorganisation and rationalisation in these milk-producing areas the Board would be happy to assist, because in the long run our industry would be healthier and milk production more economic.

In line with the Board's belief in paying producers a price related to the service they perform we have continued to pay those producers who satisfy the conditions a twopence premium for milk of Tuberculin Tested standard. The Board have decided to continue this arrangement for another year and they have undertaken to give twelve months' notice to producers of any change whether up or down.

BOARD'S POLICY

It is the Board's clear policy to continue to provide incentives for the improvement of milk quality for there is no doubt that the first essential in the expansion of the liquid market is to be sure that the quality of our product is good and is improving and that it satisfies the consumer.

I am not in a position today to say finally what the Board propose to do further on this subject of varying the price payable according to compositional quality of the milk. It is clear enough, however, that we must insist on a substantial improvement in total solids content in a proportion of our supplies which are sold to the Board at or below the existing legal minimum, particularly at certain seasons of the year.

On the manufacturing side, markets are now free and our products compete with imports from New Zealand and Australia, Denmark and Holland.

GOVERNMENT'S PROPOSAL

It is appropriate that I should refer to the proposal of the Government to increase the maximum retail price for milk from July 1, 1956. This is a step which the Government have already announced and, of course, the purpose of it is to reduce the amount of Treasury subsidy on milk. I wish to make it clear that none of this price increase will come into the pockets of producers or distributors—the whole benefit will accrue to the Exchequer. Much as we deplore this rise in prices, we cannot object to the action of the Government, because in the long run the consumer must bear the full cost of the milk service and this next rise should enable the Treasury subsidy to be reduced to quite nominal proportions in England and Wales.

We naturally hope that the suggested rise in price will not retard the gradual rise in consumption which has been apparent in recent months.

The report was adopted.

BOOTS PURE DRUG COMPANY LIMITED

SALES EXCEED £66 MILLION

CONTINUED RETAIL EXPANSION : EXPORT ACTIVITIES REORGANISED

MR J. P. SAVAGE ON THE PROBLEM OF RISING OVERHEADS

The sixty-eighth Annual General Meeting of Boots Pure Drug Company Limited will be held at Nottingham on July 19th. The following, in an abridged form, is the Statement by the Chairman, Mr J. P. Savage, which has been circulated with the Report and Accounts for the year ended March 31, 1956:

Our Company has suffered a great loss through the death of Lord Trent. We shall miss his great leadership, his vision and drive, but all of us have derived great benefit from the experience of working under his guidance.

TURNOVER AND PROFITS

Our sales exceeded £66 million, an increase of 11½ per cent.

Our profit shows a further increase this year from £4,214,758 to £4,380,704. After making provision for tax, the net profit of the group is £2,029,454 compared with £1,912,142 last year.

Profits retained by the Subsidiary Companies amount to £293,439 compared with £276,298. The net profit of Boots Pure Drug Company Limited thus amounts to £1,736,015 compared with £1,635,844.

The balance brought forward amounted to £272,450. We are also in a position to bring in £61,382 tax provision no longer required. This makes a total available of £2,069,847.

Although we have had a record year for profit, it must be emphasised that this has been achieved, not by increasing our prices to the public, but by a substantial increase in total sales, and by greater efficiency in distribution and production. In fact, wages and salaries have advanced at a considerably greater rate than the rise in retail prices, and our policy has been to endeavour to absorb the growth of these expenses by improvements in our methods of distribution and selling.

DIVIDEND

We have paid two interim dividends of 3 per cent each on the capital as increased by the bonus issue. The total paid last year was equivalent to 13½ per cent on the present capital. We now propose a final dividend of 8 per cent, making a total of 14 per cent for the year.

Your Directors recommend that £750,000 should be placed to general reserve and £130,000 appropriated for depreciation on freehold properties. We also propose placing to capital reserve the tax relief in respect of Investment Allowances, amounting to £53,300 for the parent company and £73,300 for the subsidiaries. After deducting dividends paid and proposed this leaves £256,596 to be carried forward.

CAPITAL EXPENDITURE

Capital expenditure for the year has amounted to £2,750,000. About two-thirds of this has been spent on the retail side of the business in building new shops and

extending and modernising existing shops, and one-third on the manufacturing and warehousing side.

As a result of the rise in our capital expenditure and in our stocks, the cash balances have shown a fall of about £1,400,000.

There was an increase in our stocks—from £14,289,132 to £15,318,054. We increased our rate of turnover of stock in all three main groups—Branches, Warehouses and Manufacturing Departments—which means that we have made even better use than before of the money invested.

RISING OVERHEAD CHARGES

In my opinion industry has responded magnificently to the appeal from the Government to refrain from passing on to the consumer all the mounting costs of production and distribution. But when we need to buy services or raw materials from the Government and Nationalised Industries we find that this policy operates in reverse, and rising costs are immediately passed on to the consumer. While we are asked to keep our prices down, the Government increases purchase tax and postal and telephone charges. The rating Revaluation, the ultimate responsibility for which rests on the Government, falls with exceptional severity on a Company largely engaged in retail trading: this year our Rates will go up by over £250,000. There is no justification for this transfer of the rating burden to commercial property.

The nationalised industries are also putting up their prices; coal and electricity show big increases and we are threatened with substantial rises in rail charges. If it is right that private industry should endeavour to keep its prices down and absorb its increased costs, the same is true of the nationalised industries and it is equally the duty of the Government to fashion its policy in a way which does not drive prices up.

RETAIL EXPANSION

During the year we opened eighteen new shops and closed eleven. The outstanding event was the opening of our new store in Southampton, replacing the one we lost in the blitz in 1941. This is generally agreed to be one of the most beautiful shops in the country. We are continuing to modernise and improve our older shops.

Retail sales were an all-time record and one particularly pleasing aspect of last year's increase was that every Department contributed to it, which shows that our efforts to maintain a reputation for good service and quality are appreciated by an ever increasing proportion of the population.

EXPORT AND WHOLESALE SALES

Our export activities have been reorganised by the creation of a new International Division. The pattern today is governed so much by the restrictive import conditions of other countries that we are encouraging the manufacture of our goods in foreign and commonwealth countries. We can no longer

regard these restrictive conditions as abnormal and we must shape our business accordingly. Despite these changing conditions we exported a greater volume of goods than ever before both to our Agents and to the Subsidiary Companies.

We are paying considerable attention to the sale of our agricultural and veterinary products in world markets. Wholesale sales at home continue to increase although price competition has been very keen.

RESEARCH AND DEVELOPMENT

In the field of chemical and pharmaceutical manufacture the present climate is one of continually increasing competition. We must keep our manufacturing processes at the highest possible point of efficiency; we must also strive to improve the products themselves and to introduce new products. This responsibility lies to a large extent, of course, on the technologists and technicians in our Research and Development laboratories, and it is essential that we should provide them with adequate facilities to do the job. We have just re-housed the research division of Antibiotics and Fermentation in a fine new block of specially designed laboratories. Work will shortly begin on the construction of a large new laboratory building in Nottingham for our pharmacological and bacteriological research units.

STAFF

The staff (now over 36,000) have worked with great enthusiasm and we have decided to repeat the special "Prosperity" Bonus of one week's wages or salary to all employees in Great Britain and the Channel Islands, who joined the Company before October 1, 1955. This will cost us much more than was paid out last year, because wages and salaries have advanced in the meantime, but we are very happy to be able to do this, for we recognise their loyalty and hard work in helping us to achieve records both in sales and net profit. Whether we shall be able to continue to do this will necessarily depend on future results.

FUTURE PROSPECTS

The present year will probably be the most difficult period we have faced since before the war. The policy of the Government to restrict spending will be felt throughout the retail trade at a time when expenditure continues to mount at an alarming rate.

We must keep down our prices to the public to the lowest possible level and, therefore, we have to concentrate upon increasing efficiency to meet the changing conditions. Consistent with our policy of giving the best possible service and value to the consumer, we shall endeavour to reduce our costs of distribution to a minimum and constantly review our stock investment position.

We shall carry out a programme of expansion within our financial capacity and I have no doubt we shall be able to make a satisfactory showing despite the difficult problems which lie ahead.

SPICERS LIMITED

(Paper Makers, Paper Merchants and Manufacturing Stationers)

SATISFACTORY YEAR'S WORKING

MR LANCELOT SPICER ON PROBLEM OF RISING COSTS

The sixty-eighth annual general meeting of Spicers Limited was held on June 15th in London, Mr Lancelot Spicer, DSO, MC (the Chairman), presiding.

The following is an extract from his circulated statement:

Taken as a whole, 1955 has been a satisfactory year for your Company. Profits of the Group before taxation amount to £1,035,565 as compared with £1,045,661 in 1954. The net profit of the Group after taxation attributable to the stockholders of Spicers Limited was £455,509.

The half-yearly statement which we issued showed a profit of £616,429, and it will therefore be noted that there was a contraction of profit in the second half of the year. This was due to a variety of causes. The rise in the bank rate and the Chancellor's request to the Banks for a restriction of credit did not seem to have an immediate effect on our trade, nonetheless Government action of that kind is bound to have a restricting influence. Secondly, in certain sections of our converting activities competition has been particularly keen with the consequential narrowing of profit margins. Thirdly, the cost of the move of our Union Street factory to our Sawston area in Cambridgeshire in terms of temporary loss of production was incurred mainly in the second half of the year. Finally, as we all know from personal observation there was a rise in all expenses during the latter half of the year.

The continual rise in expenses in all industries is a matter of general concern. We have reached the stage at which, unless production is greatly increased, we shall find our costs have risen so high that we shall not be able to pay for the raw materials and food we must have in order to enable us to maintain our present standard of living. Increased production can be secured partly by management devising improved methods of production, partly by much greater application on the part of the worker, and partly by keeping machinery in continual production.

In the past heavy industries have worked continuously, but most light industries in this country have only worked by day. The high capital cost of modern equipment in light industry surely necessitates that a machine shall be kept in continual production and not as at present for only about forty hours per week of 168 hours. To achieve this may mean a social revolution. "Working round the clock" may have to become the normal mode of life for all of us including the public services, the retail trade and the entertainment world. I am not advocating longer working hours, indeed it might well be a forty-hour week, but those forty hours would not necessarily be performed between 8 a.m. and 6 p.m.

PROVISION OF WORKING CAPITAL

Since 1950 our turnover has increased by more than fifty per cent. This considerable increase, which is partly due to a larger volume of business and partly due to the rise in prices resulting from inflationary causes, has necessitated continual capital expenditure on property and plant and has also required

increased working capital. Up to now these requirements have been met out of the Company's resources, indeed mainly from undistributed profits. The growth of the Company has now gone beyond its capacity to provide by this means all the funds required. We have therefore asked the ordinary stockholders to invest fresh monies in our business by an issue of 1,500,000 £1 shares at par. We realised that this was a considerable increase in the ordinary capital, and that many of our stockholders might have to sell some of their "rights." We were therefore concerned to see that before stockholders came to any decision they should be given as clear an indication of future prospects as we as a Board felt it in our power to give.

Your Board gave earnest consideration to the proper action to take, and eventually decided that in issuing the new shares at par, we must not only do so after announcing in advance the dividend to be recommended for 1955, but must also give any indication we could as to the possible rate of dividend which we would hope to recommend on the increased capital in 1956. Your Board was attempting to do this at a time when grey clouds had begun to cover the clear skies of the internal economy which this country has enjoyed for three years, when even the motor car industry in the USA and this country had pulled up sharply, and before the new Chancellor had introduced his Budget. So we were faced with a difficult question. What indication of the future could we give?

After reviewing the generally sound financial position of the Company and the trading prospects for the current year, and remembering that a large part of the new money would be used to reduce overdrafts, and would therefore be "earning its keep" immediately, we were prepared to say that, subject to the paper market remaining reasonably prosperous and subject to unforeseen conditions, we anticipated being able to recommend a dividend of 10 per cent on the increased capital for the year 1956.

HOME AND OVERSEAS ACTIVITIES

The Merchanting and Distribution of paper which has for more than 125 years been the mainspring of our business continued profitably last year.

I have already referred to the move of our stationery factory from Southwark to our Sawston Mill Estate in Cambridgeshire to be concentrated with the conversion unit already established there. The output of the combined unit is now running at a higher level than that of the two independent units.

At our paper mill at Sawston we have since the war done a large amount of reconstruction. Both our machines there are small by today's standards, but they continue to turn out a sheet of high quality paper for which there is a good market in this country and they are particularly suited for the making of certain speciality industrial papers. Our Board Mill at Retford, which produces high quality Board, has had a successful year and still has a good order book. In the Waxed Paper field, our important subsidiary British

Waxed Wrappings, despite increasing competition, has maintained its position.

In Australia the turnover of our Company has considerably increased, but the percentage of gross profit is somewhat reduced. Nonetheless we have enjoyed a reasonably satisfactory year.

In South Africa the shortage of skilled labour and the unsuitable quality of unskilled labour in certain areas makes it difficult to reach maximum output in our manufacturing plants. We hope that we shall soon see the removal of the import restrictions on paper into South Africa as we are unable to satisfy all the demands of our customers for many of the better-class papers which are not produced locally.

In the export field one of our most important markets is Singapore, Malaya and the Far East. In that area we have expanded considerably during the last five years and, subject to political conditions not interfering, the strong hold we have established should prove valuable. Our export trade generally has been reasonably maintained.

During recent years we have developed a substantial business as overseas agents in many markets for various types of printing machinery and this is already proving profitable and combines satisfactorily with our paper business.

I am hesitant to make any prediction as to the immediate future, but my confidence in the long-term prospects of the paper trade and of your Company in particular remain firm. Your Company is in a sound position to weather any temporary adverse winds.

The report and accounts were adopted.

THRELFALL'S BREWERY INCREASED PROFITS

The sixty-ninth annual general meeting of Threlfall's Brewery Company, Limited, was held on June 14th in London.

Mr F. Cornwall (chairman and managing director), in the course of his speech, said: The profit from trading and income from investments, after paying over £3,500,000 in respect of Excise and Licence Duties and Taxation, is £940,443, compared with last year's figure of £869,570, and the net profit is increased from £301,311 to £357,703. Your board considers that these results are very satisfactory.

We were fortunate enough in having an exceptional summer which created an increased demand for our products, also whilst the malt used in the manufacture of our beers was, as always, of the highest quality, we derived quite a considerable benefit from the reduction in its price.

At the Brewster Sessions held earlier this year six new Full Licences were granted to the Parent Company and its Subsidiary subject to agreed payments of Monopoly Value—three in respect of existing premises and three for new Hotels already in the course of erection or shortly to be commenced in new housing areas. Today nine Hotels are being erected, or re-built entirely, and a number of others are being altered and enlarged.

We do not intend to rest content with what has been achieved in the past and hold the firm view that continual progress must be made. This aim has been carried an important step further during the last twelve months, and I am convinced the development of the Company through its licensed houses is much greater today than at any time in its history.

IMPERIAL CHEMICAL INDUSTRIES

EFFORTS TO ABSORB RISING COSTS BY INCREASED EFFICIENCY

SIR ALEXANDER FLECK ON AUTOMATION

The twenty-ninth annual general meeting of Imperial Chemical Industries Limited was held on June 14th in London.

Sir Alexander Fleck, KBE, DSc, LL.D., FRS (the Chairman), presided, and in the course of his speech said:

The Company made record sales and profits during the past year. The increased turnover, together with the continuing improvement in manufacturing efficiencies, might well have been expected to result in a further increase in profit margins. The manufacturing and trading profits have, however, not risen as much as could be expected from the increase in sales, because of the heavy additional costs incurred during 1955 on freight, raw materials, wages and salaries. The policy of the Board is to absorb increased costs where possible, and to pass on to customers a substantial share of any savings in costs due to improved efficiency. The prices of "Terylene," titanium and some of the newer organic chemicals were, in fact, reduced in 1955, but price increases for many of our older-established products could not be avoided.

EXPORTS

As has been emphasised in the Report, competition overseas was even keener than in former years. Although the value of the Company's exports was again a record, prices were in the main below the level of those ruling in 1954.

We are proud of the extent to which the Company has been able to expand export business in the face of growing competition, but a serious warning is necessary. It is clear that the continuing expansion at which we aim will be jeopardised if there are further substantial increases in the prices paid by us for materials and services which cannot be counter-balanced by improvements in our manufacturing methods.

THE FIGHT AGAINST INFLATION

You will appreciate our concern at the continuance of the inflationary trend which has persisted in this country for over fifteen years. In the fight against inflation, many of the factors, including the important cost item of purchased materials and services, are outside our control. Our concern, therefore, must be with the level of our own efficiency in using in our business not only these materials and services but also our total personnel.

In the Report for 1955 we show our cost of wages and salaries per unit of output in comparison with Treasury figures for industry as a whole. These indicate that, comparing 1948 with 1954, there was no change in the cost of wages and salaries per unit of output in ICI, although for industry in general there was an increase of 21 per cent over this period. I would remark, too, that this result was achieved in spite of the fact that between the same two years the average annual remuneration per employee increased by 54 per cent, against 44 per cent for all industry, while the retail price index rose by 32 per cent.

Between 1948 and 1955, the number of our employees in the United Kingdom rose from

99,000 to 115,000; and this increase of 16 per cent may be compared with a growth of our index of output volume of 95 per cent. While we take some pride in these figures, there is no magic in the rise in efficiency which they represent. It is due to many causes, including the vigorous application of research, heavy capital expenditure, and improvement in management techniques, backed by the energy and keenness of our employees at all levels.

TECHNICAL DEVELOPMENT

While on this subject of productive efficiency, I should like to comment, in the light of our own experience, on the arguments and fears which, as judged by the many comments recorded in the Press from all types of sources, centre in that ungainly word "Automation." Although the word is new, the ideas behind it are not. For decades we have been applying schemes of advanced mechanisation, backed by effective instrumentation, together with increasing use of automatic controls. Many of our processes already operate continuously and it is largely by developing the application of the most up-to-date technical knowledge that we have been able to raise our productivity so rapidly. Without the continuance of such advances in general efficiency we could not hope to compete in the markets of the world and expand our export trade.

With full employment, it is self-evident that any broad advance in standards of living must depend upon a reduction in human effort relative to the results achieved. In general, this can only come by applying new methods, of which electronic equipment and servo-mechanisms are recent examples. I stress again, therefore, that automation is not new, but merely the continuing extension of a process which has for long been a normal feature of our operations. In our industry we certainly do not regard these changes as revolutionary, nor do we think they are likely to cause unemployment or other major difficulties. The steady growth of employment which has taken place in the Company confirms this view. For the country as a whole I would go further. Employment will only be maintained if British industry keeps abreast of the world in technical efficiency. This means not only the extension of automation but continued heavy capital expenditure.

It is axiomatic that progress must involve change. We believe it is possible for management to ensure that the necessary adjustments are so made, and so timed, that individual hardship is avoided, or at least minimised. It is for management and the leaders of organised labour to explain fully what is taking place, so that these progressive changes are made as smoothly and effectively as possible, to the benefit of all.

In this connection I regard the proper and adequately full use of joint consultation at all levels in our organisation to be of the greatest importance.

From the figures given in our Report, and from my remarks today, you will realise that in the Company we regard the long-term future with confidence and look forward to the profitable expansion of the Company's business.

The report and accounts were adopted.

ALLEN WEST & COMPANY

A SUCCESSFUL YEAR

MR M. W. H. LANCASTER ON CAPITAL EXPENDITURE PROGRAMME

The forty-seventh annual general meeting of Allen West & Company, Limited, was held on June 19th at Brighton, Mr M. W. H. Lancaster, MC, FCA (the chairman), presiding. The following is his circulated address:

The Accounts for the year ended January 31, 1956, show an increase in profit of £29,300. The year has been a successful one in that we have produced more, sold more and finished with a larger order book than last year and we have paid higher wages and salaries to more people.

We have spent during the year £95,000 on buildings, mainly the No. 4 Factory I referred to last year. Owing to the severe Winter, the building programme ran late, but we hope to be in occupation shortly. You will notice we have started an Amortisation Fund for buildings because the cost of present-day building is so much more than when we built Factories No. 1 and 2 and building costs might fall. However, I can assure you that "Freehold Land and Buildings" as shown in the Accounts at £571,430 is a conservative figure.

During the year we purchased £147,000 of new Plant. As I have said almost annually, only the best and latest plant is good enough for Allen West & Company, Limited. There is a new word "Automation" which really means re-equipping a factory with the most modern machine tools and handling appliances to suit its products. We have been steadily re-equipping our factories in this way for years, and at the same time employing more and more people.

Our net current assets exceed those of last year by £158,000 and the total Capital employed in the business is also up by £304,000.

As you know, we have formed a company in Rhodesia to deal with the increasing business expected in the Federation.

DIRECTORATE

My Vice-Chairman, Mr L. A. Stride, who should have stood for re-election at this Annual General Meeting, notified me that in view of his advancing years, he wished to retire. Your Board accepted his resignation with very great regret as Mr Stride had been a member of the Board for many years and before that had taken a considerable part in the building up of the success of this Company.

I am very happy to welcome Mr M. A. Stride as my new Vice-Chairman. Mr G. H. Cann, MBE was co-opted to the Board to fill the vacancy created by the resignation of Mr L. A. Stride.

TRIBUTE TO EXECUTIVES AND STAFF

The relationship existing between management and employees remains excellent and I thank all those whose efforts, in whatever sphere, have helped to produce the results disclosed in our Statement of Accounts.

I conclude by saying it is our fixed policy to keep strictly to the trade we know, namely the manufacture of electrical control and switchgear, but within that field we continuously and vigorously press on with development and improvement.

The report and accounts were unanimously adopted.

SUEZ CANAL COMPANY

FURTHER SUBSTANTIAL INCREASE IN TRAFFIC

M. FRANÇOIS CHARLES-ROUX'S SPEECH

The annual general meeting of the Suez Canal Company was held on June 12th in Paris. M. François Charles-Roux, the President, in the course of his speech, said:

A steady rise in traffic is, once again, the outstanding feature of the past financial year. The first five months of this year lead us to expect the increase to continue in 1956. The average number of ships passing through the Canal daily is more than 45, which means that there are peaks of 50 and 55.

This fact brings out the importance of the Suez Canal as an economic factor, and its usefulness to the world. It also throws into relief the part played by your Company, for it stands to reason that the Canal is only as good as the organisation managing it.

The rise in traffic has fully justified the decision which we took two years ago of devoting considerable sums to large-scale works for the purpose of improving the flow of traffic and the crossing of convoys and also of allowing vessels of deeper draught to navigate the Canal. It also proves the rightness of our decision to carry on with these works until final completion.

The present shortage of pilots, despite a current strength of 200, is a cause not only of inconvenience to Canal users but also of delays and additional expenses. We have been powerless to avoid it; we have done all we could to prevent it. We have recently concluded an Agreement in this connection with the Egyptian Government but it is unlikely that this will meet the situation for very long and the same question will therefore come to the fore again.

I have also to refer briefly to another Agreement, which is of a financial nature. In the matter of exchange control, we have been operating since 1947-48 under an Agreement waiving in our favour certain provisions of Egyptian law on the subject. In September, 1955, we were informed by the Egyptian Government that this Agreement was regarded by them as no longer valid and that it had lapsed. We have now reached an agreement embodying generous concessions which we had to make to the Egyptian Government's claims. In return, we obtained recognition of our financial freedom in the use of our funds outside Egypt. This arrangement, backed by a decree, is an appreciable benefit to us, for it confirms and consolidates the basis of the special financial status we require to exist.

DIRECTORS' REPORT

The following are extracts from the Directors' Report:

The rapid growth of traffic constantly gives rise to difficult problems concerning the enlargement of our installations and increases in personnel. We have done our utmost to solve these problems to the best advantage of the users of the Canal and of Egypt. The difficulty is particularly acute when it comes to the pilotage staff.

Conversations with Egyptian Government Departments, prompted by the desire on both sides to settle the problem for this year, led to the signature of an agreement last March, the effects of which will unfortunately not make themselves felt usefully for several months, but which will no doubt bring about an improvement in the situation by the beginning of next year. But the problem will remain for the next 12 years and will become

all the more difficult to solve, as increases in traffic will necessitate corresponding increases in the pilotage strength.

FINANCIAL AGREEMENT

It was also the concern to preserve until the end of the Concession the freedom of action indispensable to the management of an undertaking such as your own which, last autumn, prompted your representatives to enter into financial negotiations with the Egyptian Government. The latter, anxious that the Egyptian economy should have plentiful funds at its disposal, regretted that since the setting up of the Egyptian Exchange Control in 1947 the Company had been able to collect and keep a proportion of its receipts outside Egypt and use them as it wanted. The Egyptian Government considered that the Company, being Egyptian, should in future be subject to the strict application of Egyptian exchange law.

Final agreement with the Egyptian Authorities has now been reached. The conceding Power has agreed to recognise the freedom enjoyed by the Company in the use of its funds outside Egypt. The Company has undertaken from now on to keep larger funds in Egypt than hitherto. These funds are to reach a total of Egyptian £10 million before the end of 1956, Egyptian £13 million during 1957 and Egyptian £15 million in 1958, and, from 1959 to 1963, will be increased annually by an amount equal to the allowance made to the Egyptian Government under the provisions of the 1949 Convention, namely, on the present basis, approximately Egyptian £1 million. Taking into account the transfers effected during the past six months, a total of approximately Egyptian £16 million will have to be transferred to Egypt between now and 1963.

The Company will be able to use these funds as it wishes, for the constitution of part of the guarantee fund for pensions after 1968 and for the investment of reserves. The Company will retain full freedom to dispose of these assets, of which the Egyptian Government has promised to authorise the re-transfer after the end of the Concession.

These are the provisions of the convention which establishes your Company's financial freedom for the remaining years of the Concession.

Traffic in 1955 showed a substantial increase, the number of transiting ships having risen by 11 per cent and their tonnage, at over 115 million tons, by 12.9 per cent.

This continued increase in traffic now makes it necessary to put in hand very shortly the second portion of the works programme, authorised last year to enlarge the capacity of the Canal. This will consist of a general widening and deepening.

Accounts: After the various allotments have been made, there remains available a sum 10,822,035,004 francs. We propose the distribution of 10,704,225,352 francs, which corresponds to a gross dividend of 9,500 francs, 250 francs more than the previous year. To this must be added statutory interest on capital shares amounting to 1,429.28 francs.

The full report, in French, will be sent on application to the London Agency, No. 6 Bishopsgate, E.C.2.

AGRICULTURAL MORTGAGE CORPORATION

FURTHER EXPANSION

The annual general meeting of this Company will be held on July 4th in London.

The following is an extract from the statement by the chairman, Mr Evelyn J. Bunbury, CBE, MC, circulated with the report and accounts:

I am pleased to report a further expansion in our business. New Loans, aggregating £3,498,513, were completed during the year, an increase of 23 per cent over the comparable figures for the previous year.

The average amount of loan granted during the year was £4,389, which compares with £3,950 for the previous year, and with the overall average loan of £3,736. The security for our loans consists of freehold agricultural and horticultural properties widely distributed over the whole of England and Wales. Our borrowers have continued to meet their repayment instalments promptly, 96.1 per cent of the payments which fell due having been received.

The balance of Mortgage Loans outstanding is £27,726,885, secured by first mortgages on agricultural land and buildings valued at £47,411,216. In addition, Improvement Loans outstanding of £108,824 are secured by means of Rent Charges under the Absolute Order of the Minister of Agriculture, Fisheries and Food, of £7,812 per annum as first charges on agricultural properties of an estimated rental value of £34,524 per annum. Total loans outstanding at £27,835,709 show an increase of £1,950,953 over the previous year's figure.

The amount available on Profit and Loss account is £52,158. Of this £8,400 has been transferred to Special Reserve, £25,105 has been written off the item for expenses of issues of Debenture Stocks, and £15,374 has been written off the discount at which various debenture stocks were made, leaving a balance of £3,279.

GOOD FARMING YEAR

The farming year of 1955 will long be remembered as one of the best for the industry for a considerable time. After an unpromising start with a late Spring and a cold, showery May, conditions, at haytime and harvest enabled good crops to be secured without waste, and at low cost. Few harvests have been more straightforward—a pleasant change from the difficulties experienced in the previous year.

Figures for the past 12 years indicate a steady growth of our business up to 1953, which included the period of our highest lending rate. A recession occurred in 1954, and has been followed by a period of steady rise up to date.

The average loan to borrowers has remained comparatively stable. The annual Loan or Grant from the Ministry has lately shown a sharp downward trend. Administration cost per £100 of loan shows a satisfactory percentage. As for the future, all present indicators point to greater demand for our credit in the coming years.

A further point should be mentioned. The Corporation has not paid a Dividend to its Shareholding Banks since 1935. A limited Dividend is written into our Constitution, and I hope that when we are able to dispense with our annual Loan or Grant, it may be possible to pay a modest dividend to our Shareholders.

WEBB'S CRYSTAL GLASS

HIGH STANDARD OF EFFICIENCY MAINTAINED

The thirty-sixth annual general meeting of Webb's Crystal Glass Company, Limited, was held on June 19th in London.

Mr R. E. N. d'Abo, the chairman, presided and in the course of his speech said:

We, in common with all other companies, have been faced with ever-increasing costs, although we have been able to cover these partly by increased prices.

The group profit for the year, before taxation, amounts to £121,591, a decrease of some 7½ per cent on the 1954 figures. Taxation absorbs £66,726, or 55 per cent.

During the year we have maintained a high standard of efficiency and our products continue to enjoy a world-wide reputation.

In the home markets we have in 1955 seen purchase tax on our lighting glass increase from 25 per cent to 30 per cent and on the majority of our Durographic products from nothing to 30 per cent. Despite this we have been able to maintain and, in fact, expand our sales of those products. The levying during the year of a 30 per cent purchase tax on domestic and hotel glassware was a serious blow to us, but we have benefited by a reduction of purchase tax from 50 per cent to 30 per cent on certain of our products.

With regard to the future, as yet there is no sign of any easing of the difficulties, but we are sparing no effort to improve the efficiency of our manufacturing methods.

The report was adopted and the dividend distribution of 15 per cent was approved.

OFFICINE VIBERTI S.P.A.

TURIN, ITALY

(Industrial Coach Manufacturers)

The Annual General Meeting of Officine Viberti was held on April 26th in Turin, with Dr Angelo Viberti, sole Managing Director, in the chair. The following are details of his report:

During 1955 the Italian market for our products showed a continued tendency which has been apparent of late: a relative decline for goods-carrying vehicles and an extremely marked improvement for passenger carrying vehicles.

As to goods vehicles, it would be going too far to say that the market is saturated. But it can certainly be said that a limit has been reached as regards output of many of the items with which we are concerned, especially trailers. Sales are no longer increasing and competition has brought prices down in some cases below the cost of production. The same applies to tippers and tank trucks.

Our Monotral bus has in fact achieved great success. It is the first Italian bus with an integral chassis-less body to run in Italy. For some years now hundreds of them have been on the streets and roads, giving excellent service, and the tendency for tramcars to be replaced by rubber-tyred vehicles offers a fairly safe prospect in sales for some years to come.

Last year we increased our output of

THE ECONOMIST, JUNE 23, 1956

buses. For this purpose our works at Bolzano enabled us quickly to meet a part of the demand. Even so, in spite of the increase in output at both Turin and Bolzano the demand exceeded our capacity.

We also arranged to join with certain other interests in setting up a plant in a rural area, at Caluso, so as to meet the demand for Monotral bodies.

Our 1954 programme was at the rate of one bus per day. By the end of 1955 it was up to 35 a month; and in 1956 the combined output of Turin and Bolzano will reach 50 per month, being equal to 25-30 per cent of the total Italian production.

The growth in output has entailed a need for more finance, amounting from 1,900 to 2,188 million lire.

We have decided to start building at Naples and have arranged to apply for financial assistance under Law No. 1598 of December 14, 1947. You have, moreover, approved the issue of 250 million lire of bonds; this is needed to fulfil the financial programme.

As to the profit for 1955, we have aimed at achieving a high output in the face of higher costs for labour, taxes and raw materials. Growing competition has forced further cuts in prices. This does not apply so much to buses, but the position has been especially difficult for trailers, tippers and tank trucks. Thus, the company's net profit has been somewhat on the low side.

Nevertheless, we continued during 1955 to aim at perfecting our products. We further improved the equipment of our plants through extensions, modernisation of buildings and purchases of machinery.

CASSA DI RISPARMIO DELLE PROVINCIE LOMBARDE

(SAVINGS BANK OF LOMBARDY REGION)

Established 1823

MILAN, ITALY

At a meeting of the Board of Directors of the Cassa di Risparmio delle Provincie Lombarde, held under the Chairmanship of Prof. Giordano Dell'Amore on March 26, 1956, the balance sheet at 31st December, 1955, which closed with a net profit of Lit. 554,532,276, was approved.

Savings deposits and current accounts—with a percentage of 20·14% against 19·41% in 1954—reached an increase during the year not only higher than the national one but also above the average figure for Lombardy. In fact, at the end of 1955, the Cassa di Risparmio delle Provincie Lombarde held deposits totalling Lit. 237,800m., an increase of nearly Lit. 70,000m., compared with the figure at the end of 1954.

The total of credit investments rose to Lit. 309,000m. by the end of 1955, out of which Lit. 82,600m. had been allocated to commercial credit transactions. Foreign exchange business doubled its turnover compared with 1954, especially in the field of documentary credits and documentary collections.

Chairman: Prof. Giordano Dell'Amore; Vice-Chairman: Prof. Cesare Chiodi; Director General: Dott. Giovanni Monti.

LIABILITIES		ASSETS	
Deposits, etc.	L. 237,784,844,264	Cash, etc.	L. 31,961,489,536
Other Liabilities	" 65,237,195,670	Bills and Public Funds	" 112,413,502,334
		Participations	" 2,468,306,250
Reserves	L. 303,022,039,934	Buildings, etc.	" 1
Net Profit	" 5,737,660,932	Loans and Advances	" 45,727,892,710
	" 554,532,276	Mortgages	" 20,909,280,046
		Other Assets	" 95,833,762,265
	L. 309,314,233,142		
Contra Accounts	" 109,757,383,809	Contra Accounts	" 109,757,383,809
Total	L. 419,071,616,951	Total	L. 419,071,616,951

THE ECONOMIST, JUNE 23, 1956

APPOINTMENTS
UNIVERSITY OF GLASGOW
RESEARCH ASSISTANTSHIP IN SOCIAL AND ECONOMIC RESEARCH FOR THE SURVEY OF GOVERNANCE
Applications are invited for a Research Assistantship in the Department of Social and Economic Research. The successful applicant will be required to undertake field work and to organise household interviews in connection with a sociological survey of the Govan district of Glasgow. Salary scale: £550-£850. Initial salary according to experience and qualifications. F.S.S.U. and family allowance benefits.
Applications (three copies) should be lodged, not later than June 30, 1956, with the undersigned, from whom further particulars may be obtained.
ROBT. T. HUTCHESON,
Secretary of University Council.

UNIVERSITY OF BIRMINGHAM
Applications are invited for a Temporary Lectureship or Assistant Lectureship in Statistics in the Faculty of Commerce and Social Science either from social scientists who have specialised in statistics or from mathematicians who have worked in social or economic statistics. The post will be for one year only.
Applications, which should contain the names of two referees, should be sent by July 2, 1956, to the Registrar, The University, Birmingham, 15, from whom further particulars may be obtained.
G. L. BARNES, Secretary.
The University, Birmingham, 15, June, 1956.

UNIVERSITY OF BIRMINGHAM
CHAIR OF PHYSICS
Applications are invited for a Chair within the Department of Physics (Head of the Department, Professor P. B. Moon, F.R.S.).
The duties attached to this Chair will include responsibility for a substantial part of the Department's research in the field of nuclear physics.
Applications (three copies) should be sent by July 15, 1956, to the Registrar, The University, Birmingham, 15, from whom further particulars may be obtained.
G. L. BARNES, Secretary.
The University, Birmingham, 15, June, 1956.

UNIVERSITY OF BIRMINGHAM
Applications are invited for a Temporary Lectureship or Assistant Lectureship in Economic Theory for the academic session 1956-57.
Applications, which should contain the names of two referees, should be sent by July 2, 1956, to the Registrar, The University, Birmingham, 15, from whom further particulars may be obtained.
G. L. BARNES, Secretary.
The University, Birmingham, 15, June, 1956.

CHIEF EXECUTIVE DESIGNATE
The Western Region Production Development Board, with the approval and support of the Government of the Western Region of Nigeria, intends to establish a Western Region Housing Projects of the Trust to be the development of Housing Estates as well as fostering the growth of home ownership on building society lines. Applications are invited for the post of CHIEF EXECUTIVE OFFICER DESIGNATE OF THE TRUST. In the preliminary stages his chief duties will be to assist in drafting legislation and in drawing up plans for the establishment and operation of the Trust. During this period he will be engaged on the staff of the Board but subject to satisfactory performance will become the Chief Officer of the Trust when formed.
Applicants should possess wide administrative experience in the fields of planning, development, construction and financing of housing areas and of home-ownership schemes. Academic and professional qualifications will be an advantage.
Salary will be £2,500-£3,500, point of entry depending on qualification and experience.
Further details of the proposed Trust and of the Board's terms and conditions of service can be obtained from: The London Representative, Western Region Production Development Board, 18 Grosvenor Gardens, London, S.W.1.

Applicants, giving full details of experience, qualifications, etc., should be addressed; replies to reach him not later than July 31, 1956.
GENERAL TERMS OF EMPLOYMENT: House with basic furniture provided at rental of £150 per annum; up to 10 per cent Provident Fund; Outfit Allowance £60; Free medical service; Free passages for wife; home leave at full pay at the rate of five days per month of overseas service; normal length of tour 18-24 months.

FORD MOTOR CO., LTD., of Dagenham, has immediate vacancies with exceptional prospects for young men of high calibre preferably aged about 25. Graduates in Engineering, Cost Accountants and others with notable experience in Commerce, Industry or Public Service are required for appointments which cover all aspects of financial work including management accounting and the analysis of commercial problems. Specialist qualifications are less important than proved ability and determination.—Write to Salaried Personnel Department, quoting reference CCC.

CHAPPIE LIMITED invite applications for the post of Statistical Officer.
This is a new position and the successful candidate will be directly responsible to the Chief Statistician and will be concerned both with general commercial and industrial statistics and with particular problems. Preference will be given to graduates with good honours degrees in mathematical statistics or in mathematics with a recognised qualification in statistics. Postgraduate experience in the application of contemporary statistical techniques to practical problems in industry or research is desirable but not essential. The starting salary will not be less than £1,000 per annum plus non-contributory pension, life assurance and sickness benefits under a comprehensive Social Security Scheme. Assistance will be given with housing.
Applications, giving details of career to date, should be addressed to the Chief Personnel Officer, Chappie Limited, Melton Mowbray, Leicestershire, and the envelope should be endorsed "Statistical Officer."

Australia: £8.5s. (sterling)
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East Africa: £5.5s.
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Europe (except Poland): £4.15s.
Gibraltar, Malta: £3.15s.
Hongkong: £7.
India & Ceylon: £6.
Iran: £6.
Israel: £6.
Japan: £9.
Malaya: £6.15s.

UNIVERSITY COLLEGE OF THE GOLD COAST

Applications are invited for Lectureship in Economics. Salary scale £950 x £500. Family allowance £100 p.a. per child (max. £500 p.a.). Outfit allowance £50. Passages for appointee, wife and maximum of 5 children, on appointment, normal termination and leave. Part-furnished accommodation at rent not exceeding 7.5 per cent of salary.
Detailed applications (6 copies), naming three referees, by July 14, 1956, to Secretary, Inter-University Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

THE UNIVERSITY OF MANCHESTER
Applications are invited for the post of TUTOR IN SOCIAL ADMINISTRATION in the Department of Government and Administration, in connection with the Selective Recruitment and Training Scheme for Hospital Administrators in England, Wales and Scotland. Candidates should be graduates with experience in hospital administration, and the appointment is for three years in the first instance, with a possibility of a renewal for a further period. Salary on a scale £650 x £850, plus 10 per annum; initial salary according to qualifications and experience. Membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than July 9, 1956, to the Registrar, The University, Manchester, 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF SHEFFIELD
DEPARTMENT OF EXTRAMURAL STUDIES
Applications are invited for a post of STAFF TUTOR to be principally concerned with the teaching of Industrial Relations/Economics to trade union students. Candidates should have a good Honours degree in an appropriate subject and must be graduates with experience in industrial relations. Further particulars should be obtained from the Registrar, to whom applications (6 copies) should be sent by July 7, 1956.

CITY AND COUNTY OF KINGSTON UPON HULL

TOWN PLANNING DEPARTMENT
SENIOR PLANNING ASSISTANT (RESEARCH)
Applications are invited from suitably qualified persons for the position of Senior Planning Assistant, Grade APT. V. £2,795 p.a. for hard work. The person appointed will be responsible to the Town Planning Officer for the collection and analysis of data relating to population, industry and land use, and for the supervision of a continuous survey of trends in population development. He should have had experience in organising such work and should possess an Honours Degree, preferably with specialisation in Statistics, Geography or Economics, or be a Corporate Member by examination of the Town Planning Institute. Housing accommodation will be provided in appropriate cases.
Application forms may be obtained from the undersigned and should be returned not later than Saturday, July 14, 1956.
H. F. ALSTON, M.T.P.I., A.R.I.C.S.,
A.M.I.Mun.E.
Guildhall, Kingston upon Hull, Town Planning Officer.
June 15, 1956.

COMMONWEALTH GOVERNMENT OF AUSTRALIA

APPLICATIONS ARE INVITED FOR APPOINTMENT AS: COMMISSIONER OF THE EXPORT PAYMENTS INSURANCE CORPORATION
The Corporation is a statutory body set up under an Act of the Commonwealth of Australia to promote trade with countries outside Australia by providing insurance against the risk of non-payment in export trade. Its functions will be generally similar to those of the United Kingdom Export Credits Guarantee Department. The Commissioner will be responsible for the establishment and subsequent operation of the Corporation. He will be required in the course of promoting the business of the Corporation to create a high standing for the Corporation and its officers with leaders of industry and commerce and export trade throughout Australia.
Applications will be judged on qualifications and experience, not necessarily in the field of insurance.
The Commissioner will be appointed in the terms of the Act by the Governor-General for a period of seven years and will be eligible for re-appointment.
Salary will be commensurate with the responsibilities of the appointment and the qualifications and experience of the successful applicant, and appropriate allowances will be paid.
The headquarters of the Corporation will probably be situated in Sydney and every assistance will be given in obtaining a suitable residence for the successful applicant.
Applications will be treated in strictest confidence. They should be marked "P.I." and be received not later than Monday, July 2nd, with the Official Secretary, Australia House, Strand, W.C.2, London, from whom further particulars may be obtained.

MARKETING
An international company in London which has until now sold exclusively to industry through its own sales force, requires a man (28-38) with wide experience of marketing. He will be responsible to the Home Sales Manager for developing wider distribution through wholesalers and dealers and to the mass market. Eventually he should assume complete control of these new aspects of the company's expansion.
Please send fullest possible details of education and experience, preferably typewritten, to Box 434.

SENIOR PERSONNEL OFFICER required by Richard Costain Limited, Building and Civil Engineering Contractors, operating from their Head Office in London. The person appointed will be responsible for personnel administration and recruitment of Home and Overseas Staff up to a Senior level. It is essential that applicants should have the ability to deal with all levels of staff. Previous experience of selection and recruitment is essential, preferably a knowledge of modern techniques in this field. Age preferably 28-40. Salary up to £1,250 per annum according to experience.—Applications to Chief Personnel Officer, Richard Costain Ltd., 111 Westminster Bridge Road, London, S.E.1.

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Gibraltar, Malta: £3.15s.
Hongkong: £7.
India & Ceylon: £6.
Iran: £6.
Israel: £6.
Japan: £9.
Malaya: £6.15s.
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BUCKINGHAMSHIRE EDUCATION COMMITTEE

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Applications are invited for the post of Senior Lecturer in Management Studies. Candidates should be prepared to offer at least two subjects in the Management Diploma range.
Salary will be paid on the Scale for Senior Lecturers in the Report of the Burnham Committee on Scales of Salaries for Teachers in Establishments for Further Education at present £1,065 x £25 to £1,215.
Application forms and further particulars may be obtained from the Principal, William Street, Slough, to whom completed forms should be returned not later than June 29, 1956.

UNIVERSITY OF CAMBRIDGE, Department of Estate Management.—Applications invited for two posts of Assistant in Research from October 1, 1956, or as soon as possible thereafter. Pensionable stipend £500-£700, subject to certain variations. Non-pensionable children's allowances. Applicants must hold either an honours degree in Economics, History, Economic History, Agricultural Economics, or Law, or a degree with a high class in Estate Management. Those appointed will be required to undertake research in economic, legal and social problems related to the ownership, tenure and development of land.—Further particulars of duties and stipend from Secretary, Board of Estate Management, 74 Trumpington Street, Cambridge, 1, from whom applications should be sent not later than July 20, 1956.

£2,000 p.a. is the commencing salary offered to several bright young men as junior executives in a large and highly successful manufacturing group with headquarters in Manchester area (not cotton industry). Principal qualifications required are proved intellectual capacity coupled with consistent and able application to duties. A technical qualification of some kind is desirable, but it does not matter whether this is in engineering, chemistry, commerce or accountancy, and a University degree, while helpful is not an essential.
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We do not wish to receive applications from misunderstood supermen who, except for prejudice or nepotism, would already be Managing Directors of the business at present employing them, but to the right type of young man with brains, imagination, personality, initiative, for hard work, and a keen desire for an exceptional opportunity of a successful career in industry. Full details, in confidence, in first letter, please, as interviews will be arranged only with those who comply.—Box 44.

PETROLEUM ECONOMICS LIMITED invites applications from young graduates, male or female, with a degree in Economics, Mathematics or Physics, for the post of Research Assistant. Duties will consist initially of selection, analysis and preparation of data and statistics for studies on a variety of subjects. Previous experience is not essential. A knowledge of languages an advantage. Salary according to age and qualifications.—Write Box 447.

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NIGERIA IN THE NEW COMMONWEALTH—Lecture by the Minister of Communications and Civil Aviation for the Federation of Nigeria, The Honourable Dr. K. O. Ozuomba, M.B.E., after the lecture a short period will be devoted to the answering of questions. On Thursday, June 28, 1956, at 6.30 p.m., at Church House, Westminster. Chairman: Professor Kenneth Kirkwood, Rhodes Professor of Race Relations, University of Oxford. DOORS OPEN 6 P.M. ADMISSION FREE.

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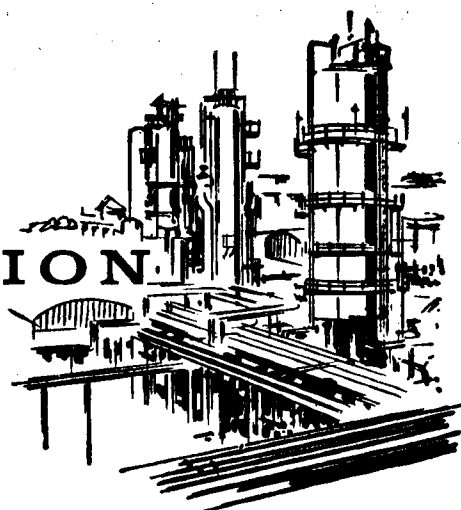
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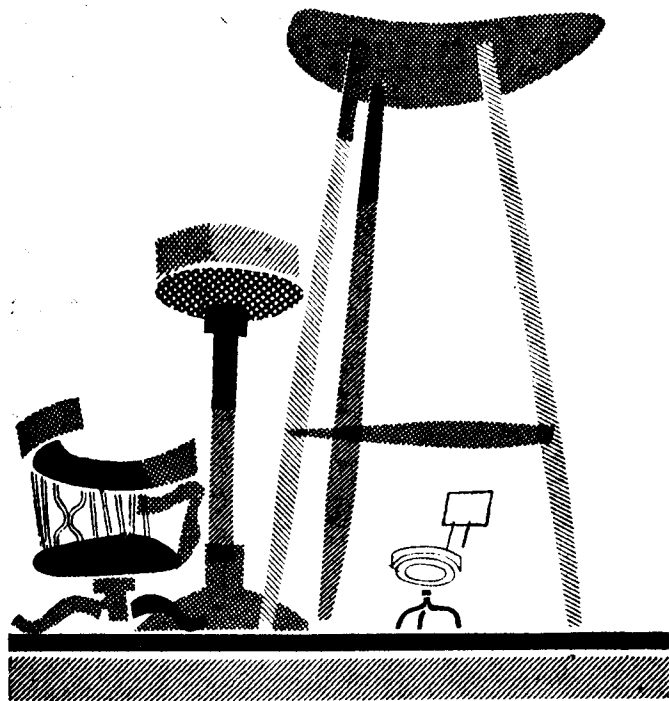
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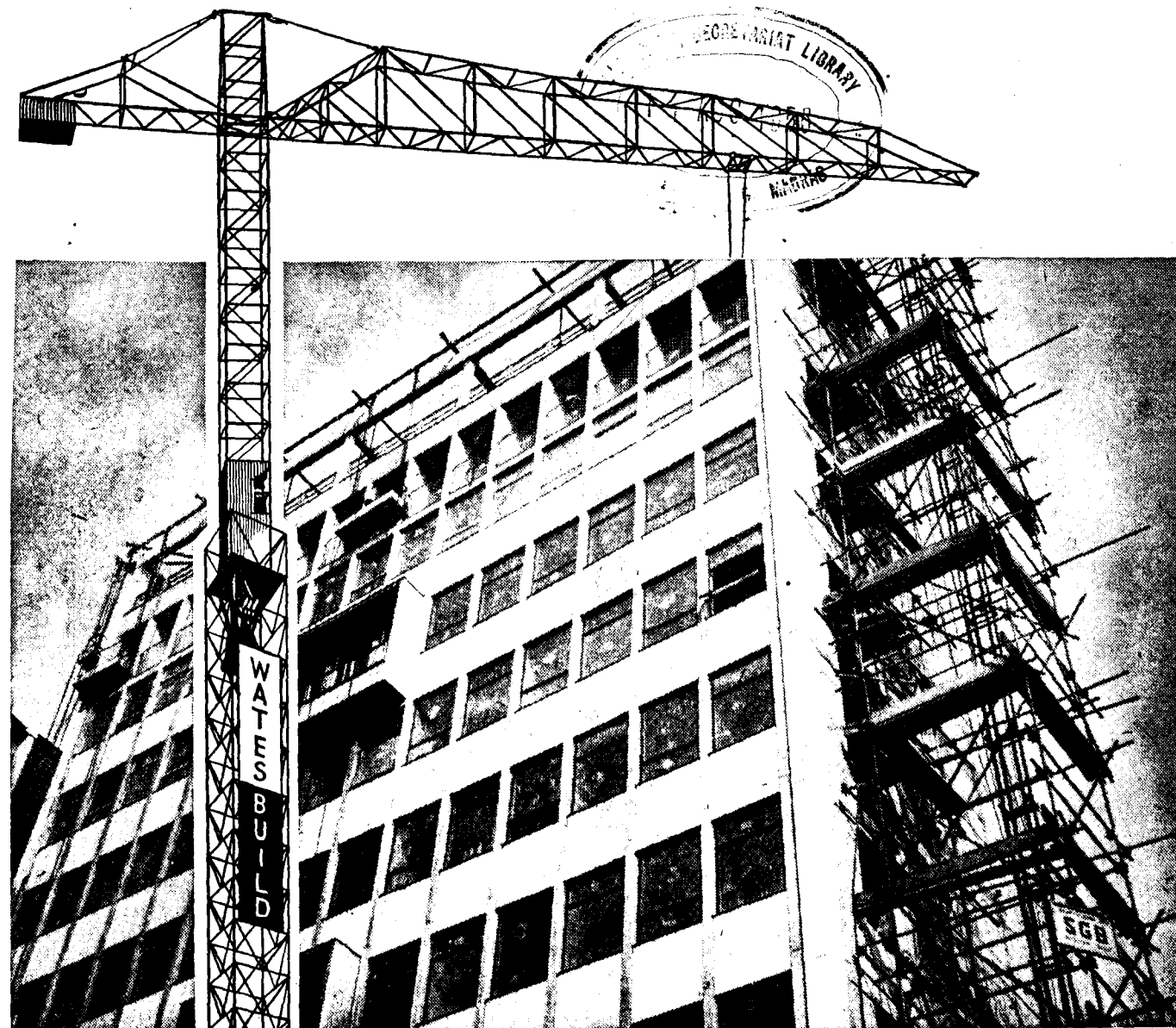
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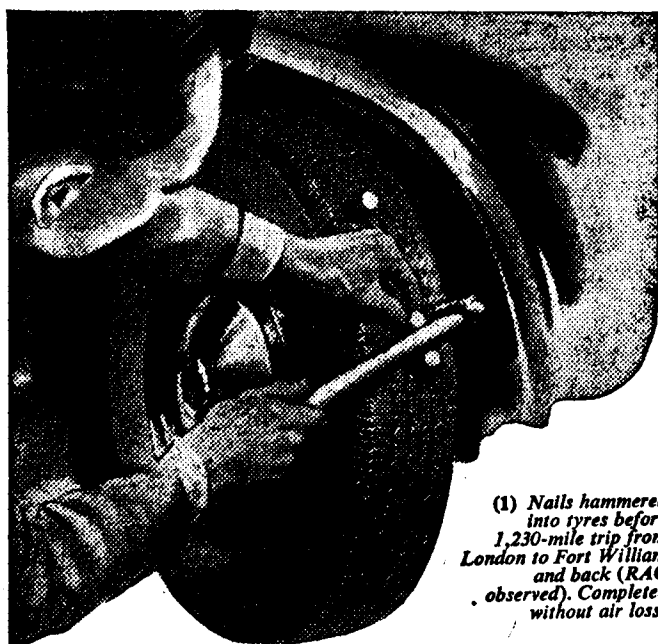
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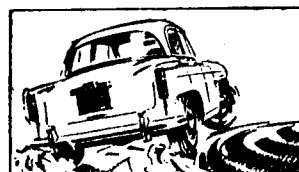
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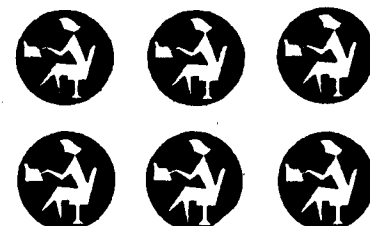
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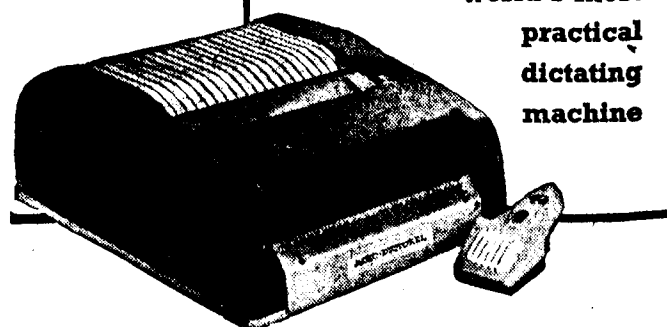


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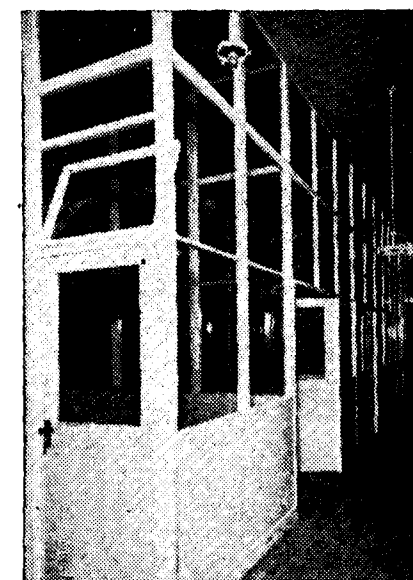
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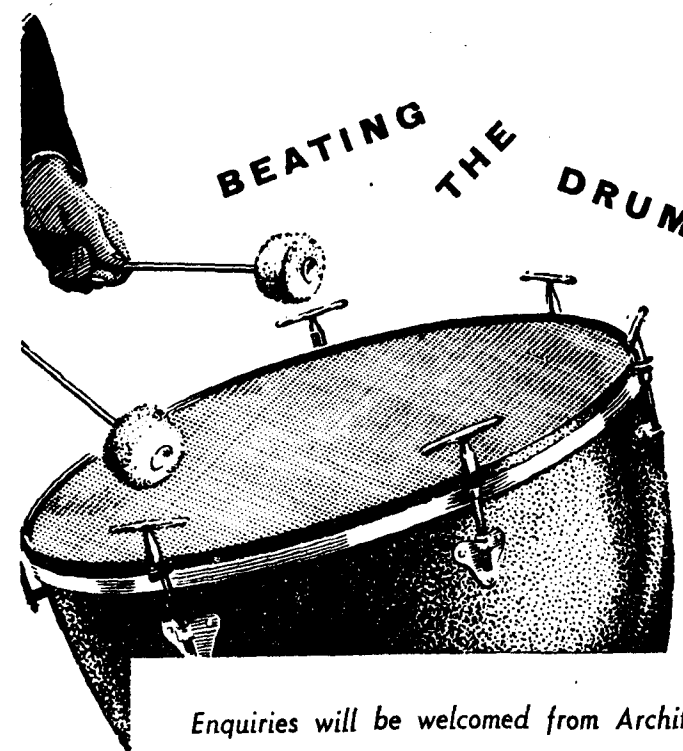
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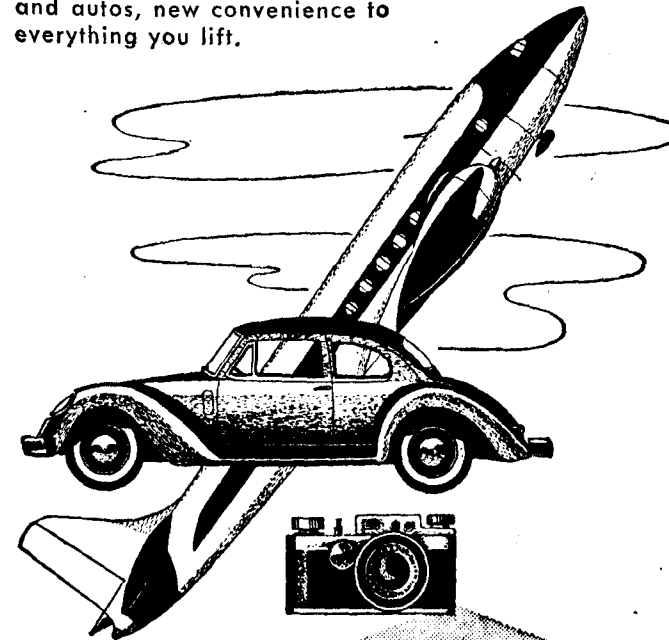
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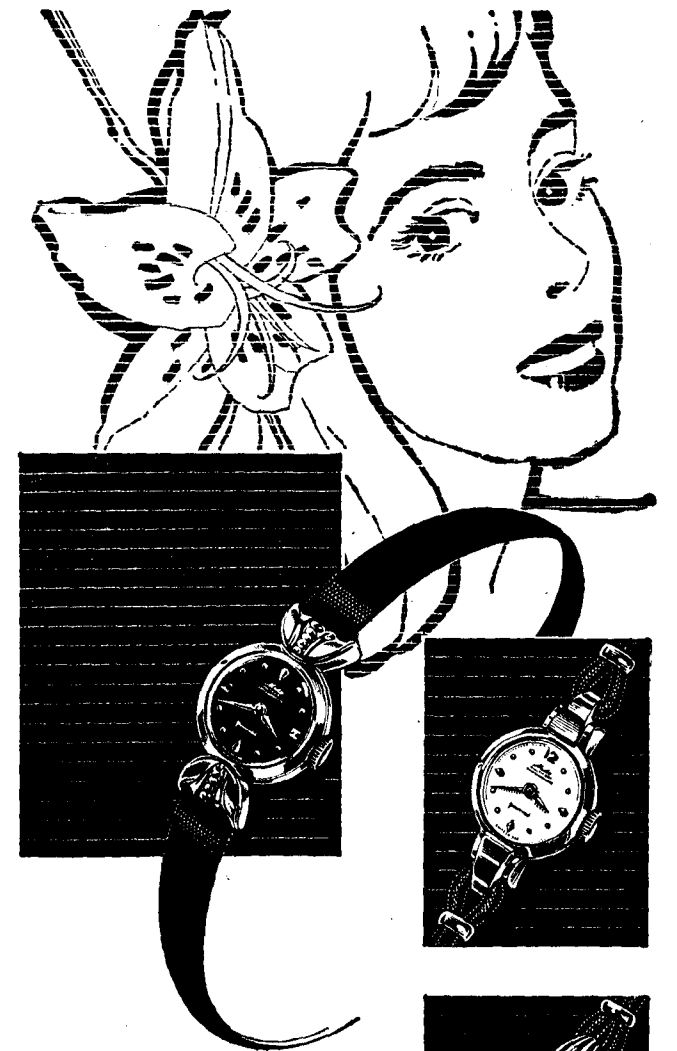
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The Economist

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JUNE 30, 1956

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The Chancellor Goes Shrimping

THERE are three broad points to be made after reading Mr Macmillan's "interim announcement" of the first £76 million of his promised £100 million of public savings this year. Two of them stem from a pardonable cynicism (which is not mere carping) about his arithmetic; the third is more fundamental.

The first point is that fully three quarters of the £50½ million of defence economies that Mr Macmillan announced appear to derive from a running down of stocks or from other forms of consumption of capital. No doubt some of these are bloated or squirrel-like stocks that deserve to be permanently depleted, and that the services were just about ready to cut in any event; but others are stocks of currently-used materials which will presumably have to be replaced, possibly at higher prices, next year. The suspicion must be that these are to be run down now not because market conditions suggest that this is a good moment for destocking, but because Mr Macmillan has staked his reputation on reaching his target of £100 million of economies. To that extent it seems a pity that he ever mentioned this haphazardly determined target figure in his budget speech.

The second reason for cynicism about Mr Macmillan's measures is that more than half of the £25½ million of civil economies which he detailed on Tuesday were economies that had been revealed before; they arise from last February's reduction in the bread and milk subsidies, as amended by subsequent increases in agricultural subsidies and family allowances. Mr Macmillan did not make it clear in April that he was going to take credit for these in his £100 million; in fact, some may now suppose that he made it deliberately unclear, so that he could include or exclude them according to the difficulty or ease of his search for genuine new economies.

The Chancellor has evidently had considerable difficulty in that search. Of the £11 million odd of genuine new civil economies, about £2½ million are what look like rather mean little cuts in overseas aid and lending; the other £8½ million are the result of an exhaustive shrimping expedition. In one respect that shrimping has been successful: the increased charges for school meals, driving tests, passports and county court fees are the sort of measures that have been regularly disregarded in the framing of ordinary annual estimates—and they might with advantage have been extended. But, for the rest, Mr Macmillan seems merely to have trawled a net over each tempting vote in the ten classes of the civil estimates—over prison administration, scientific research, the forestry commission, government stationery and the like—and sieved between 1 and 4 per cent of their money somewhat indiscriminately off each of them. This is not an inspiring procedure. Where these departments have been run efficiently in the past, these tiny cuts will probably do real though marginal harm; where they have been extravagant, the cuts should surely have been made at the time of the ordinary framing of estimates last winter.

The third point that needs to be made is more serious. Mr Macmillan declared on Tuesday that his interim list of economies has no direct relevance to the broader reassessment of the defence programme in which Britain is now engaged. That is a necessary disclaimer, for this broader reassessment should be made only after very careful study and in concert with our allies. But there are at least two ways in which Mr Macmillan, in the small part of his cuts which do look genuine, seems to have foreshadowed the reassessment to come. One is in the weight of the economies that has fallen on civil defence; it is difficult to disentangle exact figures from the Chancellor's statement, but every department within his reach seems to have been obliged to make a cut in its air-raid precautions. Is there a hint here that the Government is now half-inclined to write off as a waste of money any serious

civil defence effort in the face of thermo-nuclear war? That grim decision might be the right one, but before any irrevocable steps are taken the matter should be laid open to informed debate. The other cause for apprehension that weighty decisions may be being allowed to creep up on Parliament and the country unawares is the announcement that various orders for aircraft and arms are being "deferred." As a Business Note on a later page points out, the pattern of these deferments is expected to confirm that the Government wants to move towards a more economical "standardisation" of arms—and, especially, of the aircraft programme. Any such assembly of eggs in single rickety baskets might be very dangerous; if the RAF had had to choose any one type of fighter for standardisation two years ago, for example, it would probably have picked upon the abortive Swift.

Germany Contemplates Conscription

DR ADENAUER has ground for confidence that the Bundestag will approve in the next fortnight or so the Bill to reimpose the duty of universal military service on the west German citizen. To him the acceptance of this duty is a political obligation owed by the Federal Republic to its allies in Nato. Avoiding, as far as he can, arguments about its domestic expediency, Dr Adenauer has treated the speedy passing of the Bill as a necessity of foreign policy.

Other politicians at Bonn take a different view, as might be expected. The primacy of foreign policy has had a long run in west German affairs under Dr Adenauer, and has been justified by the successive improvements in the status of the Federal Republic, culminating in sovereignty; but it is not in the natural order of things, and a point is bound to come at which it will be upset. To introduce universal military service in any state which has enjoyed freedom from it is a far-reaching step in domestic affairs, just the kind of issue on which, except under pressure of unquestionable need, foreign policy is liable to have to take second place.

Dr Adenauer's authority, though it is being increasingly questioned on many matters (by supporters as well as opponents), will probably suffice to get the military service Bill through the Bundestag before the summer holiday starts in July. But the Bill has suffered a vital amputation. A majority, though a narrow one, can be found for the general principle of conscription, but no sure majority has been found yet for any specific term of military service; therefore, the chief government party has decided to strike out the clauses which would fix the term, inserting in their place a provision that this matter will be settled in a special Act later.

Politicians in Germany, as in other countries, when they have to say for how many months the young men should be obliged to serve, feel a strong, all but irresistible, pull towards the more lenient course. The

Bundesrat (the upper legislative house, which represents the Länder of the federation) decided that they favoured twelve months instead of eighteen. In the Bundestag the opposition parties from their various points of view have declared themselves against the Bill as a whole and in favour (if it must be) of the shorter term against the longer. Not all of the government's supporters have fully convinced themselves yet that eighteen months are necessary. They are to be spared the unpleasant choice until the autumn. The Bill when it is passed will be, in consequence, of not much more than declaratory effect. True, it will establish the obligation of military service, and the administrative system to apply it, in all legal form; but it will still not enable a single conscript to be called up.

The device is not quite as pointless as it looks. A twelve months' term would in the federal government's view (and, almost certainly, by any military test) be all but useless. The government can hope to scrape a majority for the general principle of military service in the Bundesrat, where it could not get one for eighteen in preference to twelve months. The lawyers have advised it that if this were obtained, then the second Bill settling the all-important detail would not require the assent of the Bundesrat at all, since it could be held not to affect the rights and interests of the Länder; the Bundesrat would be entitled to raise an objection if it wished, but in the procedure laid down for such a case the Lower House could then overrule the Upper House by a simple majority. By this means, assuming that the whole government strength can be mustered in favour of eighteen months in the autumn, the matter should be settled by the end of the year.

Conscripts could then begin to be called to the colours next spring. In form, this should mean that by, say, the end of 1959, the Federal Republic will be making the contribution to western defence which the

planners of Nato envisaged when the programme was first worked out in 1950: twelve divisions, together with corps and army troops, a navy of light craft, and a fighter air force. (Whether in 1950 the military planners would have troubled to recommend a German defence contribution, if they had known that it would take nine years to bring to the point of usefulness, is a separate question.) This target, which formed the basis of negotiation and planning through many painful years, and which would have been the subject of formal and binding agreements if the European Defence Community had not been rejected by France, still furnishes the assumptions on which military planning is based at Bonn.

In fact, however, it would be rash to count on any such result; in so far as the western defence plans depend on the German contribution, the only wise course is to keep them, for the present, flexible. The conclusion flows only partly from the growing uncertainties of political life in the Federal Republic; it is dictated, equally, by the evident fact that the Germans themselves have not yet thought out their military problem. Herr Blank's officers have been at work for many years, it is true, in the vacuum into which they were thrust by the decision—understandable during the Korean war—to plan an army before the political conditions for raising it were established. But the planning remained wholly hypothetical until May 5, 1955, and German opinion at large has only in the past year begun to address itself to the problem of defence in a concrete way.

Up to now, the Bonn government has not had much in the way of reasons to offer for conscription, beyond the fact that its Nato allies expect it, and that they concluded the Paris treaties in that expectation. But indications have appeared that the Nato allies are beginning to reconsider for themselves whether they must necessarily endure conscription much longer in their own countries. On the one hand the perhaps treacherous sensation of reduced tension with the Russians, and on the other the still undigested lessons of nuclear warfare, have set new trains of thought working. If Britain may bring conscription to an end, is Germany inexorably obliged to introduce it at the same moment? Or can the German defence problem, too, be reconsidered in the light of new factors?

★

It is too much to expect of the west Germans that they should consider their defence simply as a Nato problem. If they are to raise an army they will want it to serve not only the west in general, but the German Federal Republic in particular. They are still keenly aware that there was a time when their country was thought of, unavoidably, as little better than a field of manoeuvre for a delaying action; this will not do for them now. They will think, too, of the effect on their peculiar relationship with the hostile German state on their eastern border: of the likelihood that conscrip-

tion in the west would be followed by conscription in the east, and of the possibility that a law of compulsory military service may push both states nearer to a concept, which they have so far avoided, of two German nationalities. Even the most strictly western school among them, having observed the experiments in new-model organisation which the American, British, and French armies have been conducting on their soil, asks whether the twelve divisions of 1950 are exactly what will be needed in 1960; and one question leads to another.

★

Necessary or not, conscription is not going to be popular in Germany; and the indications are growing that it may furnish the major issue at the general election, which is only fourteen months away. Pressure is strong in the Social Democratic party to fight the election on the basis of a pledge to repeal it. This would be a pity: it is bad for a party, in the event that power or a share of power should come its way, to have its hands tied in advance. The Social Democratic leaders realise this.

One thought which influences them is that they may find themselves in the autumn of next year seeking to form a coalition government. The possibility is one which the Federal Republic's partners in Nato need to bear in mind, too, from now on. Dr Adenauer, in spite of his age, appears to have every intention of leading the Christian Democrats and governing west Germany for another five years yet, and he may well emerge from the next election as still the leader of the strongest party in the Bundestag; but he has lost many allies, some of whom he has bitterly alienated. Though he may yet succeed in forming his third coalition government, there can be no certainty of it. If conscription is working by then, and the Social Democrat leaders are pledged to repeal it, they may find that this debars them from forming an alternative coalition. Well aware of the possibility, they are bracing themselves for a struggle at their party congress at Munich next month to keep their hands free.

In any foreseeable state of German politics the search for national unity, with its complex of subsidiary arguments—relations with Moscow, relations with east Berlin, the future of the link with Nato—will be one of the dominant political issues. Defence policy is, for the present, the other. The interest of the western powers is not tied to either party in these debates. It is that Germany should remain a good and willing ally. This will be difficult enough to secure: the manner in which the German contribution is to be made to the alliance will in the end have to be left for the Germans themselves to decide. The western powers cannot influence the outcome of the elections or choose the next German government, but when it is there they will have to work with it; they will be wise to avoid aligning themselves with one side in west German politics between now and then.

Labour's Public Houses

THE Labour party is making a mess of its rethinking of policy. After its statement on personal freedom, which was sadly cautious and vague, comes its statement on housing, which is almost comically sweeping and specific. The recommendations emerge with an orthodox rat-a-tat-tat. "To cope with the slums and the general problem of repairs and improvements, houses and flats that were rent-controlled on January 1st, 1956, and remain tenant occupied, should be taken into public ownership." To encourage house ownership, local authorities should lend intending house purchasers all the money they want without deposit; and this process could be helped by turning a back on the main economic lesson of the past five years and re-instituting a policy of cheap money. In order to cope with the problem of tied houses and cottages, on which there has clearly been an intra-party row, tied houses should be divided into two categories, according to two definitions of good and evil which look as if they would be well-nigh impossible for any workable Bill to incorporate. Labour will offer leasehold enfranchisement to leaseholders of all houses that "would normally fall within the provision of the Rents Acts"—Acts which may not by then exist. The working party recognises that difficulties arose in the administration of the 1947 Town and Country Planning Act, but says that the Act of 1954 has benefited landowners and developers, which it vaguely feels must be a bad thing. Labour will therefore do something about this; it is not quite sure what.

★

That is a fair summary of the things that are in the report. The things that it leaves out are staggering. At what rent will these publicly owned houses be let? Not one of the fifteen thousand words in the statement deals with this. The reader is told merely that Labour is opposed to "extortionate" rents (which almost certainly means that it does not believe in rents determined by the market) but supports "reasonable" rents (which ought to mean that it does). In the report's comments on repairs, economic considerations are even more specifically thrown aside. It notes reprovingly that private landlords will improve houses only when they can make a profit; the principle on which a local authority should deploy its wider command over the country's scarce building resources is apparently that it should utilise them in order to make a loss. The only implication for personal freedom drawn from this policy of making the much-criticised local authorities "the largest landlord in all areas, and the only landlord in some" is that "it is essential that public landlords should have a close personal interest in both the property and the tenants." Labour is convinced that the local authorities "can undertake this great new respon-

sibility" in a "project which will enhance individual happiness and which will dwarf into insignificance all other such [public ownership] measures yet undertaken." It does not say why.

It is therefore only too easy to get the measure of this report. It is one of those documents that Labour is always apt to produce while in opposition, and always regrets when in office. Fortunately, this time, the regrets may not cost it or the country very dear. For the most important sentence of the whole statement comes in its preface: "The Tory Government may repeal or revise the Rent Restrictions Acts; matters of detail may have to be dealt with differently." They may indeed. By the time that any Labour Housing Act could reach its vesting day—which would not be before 1961—the greater part of the Rents Acts, and the whole system of shortages and controls that have sprung from them, is likely to have been dead for four years; and entirely different tenants, under different contracts of rent, will live in many of these houses from those living in them on the report's base date of January 1, 1956. A proposal to return to a system of controls and subsidies should then be about as practicable, and as popular, as a proposal to return to food rationing would have been in 1955; and a proposal for municipalisation without controls and subsidies would be recognised, even by Labour voters, as municipalisation without meaning.

It is, therefore, highly probable that any Labour government, whatever this report may say, will in practice be wise enough to restrict the embrace of compulsory public ownership to houses still subject to the Rents Acts in 1960 (if there are any) and to houses that fall below a stated standard of repair (thus achieving, as Mr Herbert Morrison once accused the Tories of trying to achieve, a municipal slum monopoly). For the rest, like the mutualisation of insurance in 1950, like the project for socialisation of Mr Cube, like earlier Labour proposals for nationalising the banks, this "largest measure of public ownership yet undertaken in this country" seems specially designed to wither on its stalk.

For this reason "Homes of the Future" deserves to be read as a case study of Labour's organisational weakness rather than as an awful presage of what might some day be attempted. But as a case study, it is depressing. The Labour party, for all the real idealism in it, for all the real common sense of the leaders now in command of it, can still, when its eager amateurs concentrate in inexpert committees, turn out sixty-three pages of earnest and sweeping nonsense of this sort. It looks as if the party will have to do some furious rethinking about this system of policy propagation through rethinking committees; all that the system has put on show so far has been the arthritic tendencies of its elderly trade unionists and the dogged zeal of its doctrinaires.

Standard Reactions

The redeployment troubles of the British motor industry have taken a new turn this week, with the abrupt announcement that the British Motor Corporation is to dismiss 6,000 men. Our Special Correspondent visited Coventry this week to examine what the dismissals mean to men already dismissed by Standards.

AS we stood on the dusty cinder yard outside the hall, the voices of shop stewards, hoarse with passion, rasped through the open windows. National officers of the nine unions concerned in the redundancy dispute at Standard had come to Coventry to meet the shop stewards, in order to decide what action should be taken. There was no doubt what those outside thought should be done. They were some of the 1,300 men who on June 7th were laid off by the Standard company as a result—or rather partly as a result—of the introduction of labour-saving machinery in the tractor plant. These men wanted to spread the work that remained in both the tractor and car factories by means of a three-day week for everyone. And if the management refused this demand, as it already had done once, they were in favour of a strike of all Standard workers.

As the meeting progressed, it seemed that most of the shop stewards were in favour of this course too—even the two-thirds of them still in work. Theirs was a fine display of oratory, traditional stuff. To hear it you would think that the 1,300 had been tramping the streets for months, that they had pawned everything they had, that their wives and children were starving. This oratory was interrupted only by a policeman who temporarily broke up the meeting by complaining that many of the shop stewards had parked their cars in unsuitable places. One speaker worked himself into a passion about the "filthy" behaviour of the Standard company, and most had strong words about "this most reactionary of all Governments" whose policy was to attack the living standards of the workers, and to bring about mass unemployment.

No one accepted the company's objection to a three-day week on grounds of efficiency. It was, as one speaker put, merely "fomenting a red herring." More than one declared that it was impossible for the dismissed men to get jobs; the employer had only to hear that this was a man from Standard and he was no longer interested. Another argued that such jobs as they could get were not worth having—only £8 a week; they could earn more than that in three days at Standard, and get unemployment pay for the other two. The men outside loudly endorsed these sentiments, and one of them remarked that if the unions were defeated on the issue of redundancy through automation this time, it would be the finish of trade unionism in this country. Another said that the company had cheated them all along the line. "A year ago," he said, "they promised us everything." He refused to consider the credit squeeze and the drop in the demand for cars as any excuse for the failure to absorb the tractor

men into the car factory. The demand had not dropped so much, he said. It was perfectly clear to him that Standard wanted to throw men out of work for the sheer pleasure of seeing them unemployed.

These views left your correspondent open-mouthed. The Standard company has been the most indulgent of employers. It has led the way in pay and conditions and it even has a non-contributory pension scheme. Its present troubles, indeed, are due to that very fact. Unlike the British Motor Corporation which, indefensibly, seems to have sprung upon the men dismissals which it had been considering for five months, Standard informed the unions of the change-over in tractors some fifteen months ago. But at the time it thought that, by stopping recruiting and by transferring tractor workers to cars, redundancy could be avoided.

As for hardship, a painstaking investigation failed to bring any to light. Of the 1,300 men dismissed on June 7th, whose misfortunes inspired so many moving speeches, about 700 had, at the time those speeches were made, found themselves other jobs—either by their own efforts, or with the help of their unions, or through the local labour exchange. Most of them accepted wage rates somewhat lower than they had been getting at Standard—though a good deal more than the £8 quoted by the shop steward. But Standard pays exceptionally well; it does not belong to the employers' federation and pays higher basic rates, together with large output bonuses. Of the 425 dismissed men who remain on the Ministry of Labour's books the majority are semi-skilled machinists, and it is difficult to find them jobs at which they would get anything like as much as at Standard.

Most of the men who have got jobs, however, seem to have stayed in their own trades—in machine tools, light engineering and so on. Some, it is true, seem to have changed industries altogether. It may not be a coincidence that the Post Office, which for a long time has been very short of postmen, succeeded in recruiting 40 of them last month. A handful of men have gone back to the mines, whence they came a few years ago. But the majority of ex-Standard men have gone to the smaller employers who, in the days of fuller employment, had given up all hope of getting the labour that they needed and could afford.

But what of the remaining 400? They can still be "choosy." They have left Standard with £70 or £80 apiece. (The company has given each of them two weeks' pay, a severance gratuity of £15, and two more weeks' holiday pay; and they have also got the rebate on pay-as-you-earn and unemployment pay.) Many

of them will also have some savings from their recent wages of £15 to £17 a week, and they are still hoping to get back to Standards. So they have not yet seriously considered applying for one of the 1,300 jobs on the books of the Coventry labour exchange that are not strictly in their line—although there are plenty of vacancies for policemen, firemen, miners, railway workers and clerks. Nor do they seem to have considered the possibilities outside Coventry.

The eloquent shop stewards made much of the plight of the man who must leave home and friends, just as he has a new house and his wife has made it nice, just as things are beginning to come up in the garden. If and when that sort of thing happens it will indeed be unpleasant. But it has not happened yet in Coventry. Many of the people on whose behalf this plea was made are not Coventry people anyway; they came to the Boom Town after the war, and have homes and friends elsewhere. But a job outside Coventry, in any case, does not necessarily mean a home outside Coventry. There is excellent transport to Rugby, Birmingham, Northampton or Leamington. One Rugby firm recently said that it had a thousand vacancies; although many of these would no doubt be for draughtsmen and other jobs unsuitable for the Standard men, its offer is an indication of the opportunities at the end of half an hour's journey. This is important, for there is a grain of truth in stories about a prejudice against Standard men. Perhaps employers feel that they have been too subject to communist influence, and that having been so "spoiled" they will never settle down anywhere else.

Some travelling may become necessary when the second instalment of 1,150 men is laid off. This was to have happened on Thursday, but as a result of the meetings on Tuesday the notices were deferred for a week or ten days while production of the old tractor continues. The delay is presumably merely an earnest of having explored every avenue, and the 1,150 will

certainly lose their jobs. But even so, that still will not produce any serious unemployment in Coventry. The skilled men, at least, will find work at once.

If this is the true situation in Coventry, how have the men and their local representatives got such a distorted picture of it? The company in this case took pains to make its position clear, and no doubt the union officials understood its difficulties. But for fear of seeming management stooges, they do not argue forcibly against the fiery shop stewards under their communist leadership. Union politics also play their part. The district officials of the two unions principally concerned, the Transport and General Workers' Union and the Amalgamated Engineering Union, are both reasonable men. But if either soft-pedalled the redundancy issue he would be liable to lose members to the other.

In the chair at this week's meetings was Mr Harry Nicholas, who is national officer of the Transport and General Workers' Union. He and his colleagues cannot have wanted a strike, if only because it would probably be long and costly and would end in failure; they cannot have approved a three-day week, if only because men who started working three days now would probably find themselves on two days in the autumn. They know that the shop stewards are more militant than the people whom they are supposed to represent. Yet all they did was to try to play for time. Far from deflating the militants or teaching them some of the facts of life, they tried to bluff the management that the men who still have jobs were overwhelmingly in favour of a strike. This the company knows to be untrue, and it abruptly broke off the talks. With the worsening situation in the car industry a strike may not be called. But this will not be due to any wise guidance from the leaders. Those who spoke such whirling words in that hall in Coventry have learnt nothing, and will continue to greet each new situation with the same old catchwords that have long since lost all meaning.

How Many Assemblies?

M. SPAAK drew sympathetic laughter from the Consultative Assembly of the Council of Europe when he implored them last October not to invent a fourth European assembly. He was describing the then embryonic plans for Euratom and the European common market, and was arguing not against the principle of parliamentary control but against the proliferation of parliamentary bodies. So far his warning has been heeded, and the report of the committee set up by the Messina conference recommends that the common assembly of the Coal and Steel Community, somewhat increased in size, also serve as the parliamentary assembly foreseen for Euratom and the common market. It is to be hoped no new assemblies creep in during the drafting of the implementing treaties

which began this week. But it is not enough simply to have stopped making the existing state of affairs worse. It has to be frankly asked what these various parliamentary bodies are really worth, and whether they might not be reshaped with profit.

Today western Europe is served (if that is the right expression) by three parliamentary bodies: the consultative assembly of the Council of Europe, the assembly of Western European Union, and the common assembly of the Coal and Steel Community. The degree of common membership in the three is shown in the accompanying table. It is fair to say that an effort has been made to cut down duplication of effort and wasteful journeying about Europe by holding most of the sessions of all three groups at the *Maison de l'Europe*

a. Strasbourg, by having many of the same parliamentarians attend all three assemblies, and by trying to arrange sessions consecutively. Although this is commonsense economy, the resulting stacks of verbatim records, reproducing in slightly different forms the words of the same people, strengthen the impression of a three-ring circus with the same performers riding their particular hobby horses around each ring in turn.

And more of the same is in prospect. A conference of parliamentarians from the fifteen Nato countries (of which 12 are members of the Council of Europe) met

MEMBERSHIP IN VARIOUS EUROPEAN AND ATLANTIC ORGANISATIONS

	Council of Europe	Western European Union	European Coal and Steel Community	Organisation for European Economic Co-operation	North Atlantic Treaty Organisation
Austria	*			*	*
Belgium	*	*	*	*	*
Denmark	*	*	*	*	*
France	*	*	*	*	*
Germany	*	*	*	*	*
Greece	*			*	*
Iceland	*			*	*
Ireland	*			*	*
Italy	*	*	*	*	*
Luxembourg	*	*	*	*	*
Netherlands	*	*	*	*	*
Norway	*			*	*
Portugal	*			*	*
Sweden	*			*	*
Switzerland	*			*	*
Turkey	*			*	*
United Kingdom	*	*		*	*
Canada				*(2)	*
United States				*(2)	*

(1) The Saar has been separately represented in the Council of Europe.

(2) Canada and the United States are associate members of the OEEC.

in Paris last summer and agreed that there should be such a conference annually; it appointed a standing committee, with a small staff, who are now busy preparing for a more ambitious session to be held at the Palais de Chaillot in November. Parliamentarians from Canada and Norway took the lead in organising last year's conference, after suggestions from the ministers of those two countries for a parliamentary body formally linked to Nato had been coolly received by the other members of the Nato Council. Although the conference is sponsored and run by parliamentarians, and has no formal link with Nato, it shows every sign of receiving "unofficial" Nato and government support. Since Mr Pearson and Mr Lange are two of the three "wise men" appointed by the council to examine the non-military aspects of the alliance, it will be surprising if the question of parliamentary participation in the organisation of the Atlantic community escapes further—and perhaps sympathetic—attention.

The right place for parliamentary bodies in western Europe and the problem of what should be done in Nato are pieces of the same puzzle. Seven years of experience with European assemblies have made one thing very clear: there are two broad types of situation in which assemblies of parliamentarians can be useful, and their character and function are quite different in the two cases. Where, as in the Coal and Steel Community (and in the Euratom and common market plans), governments have agreed by treaty to give an international organisation some sovereign powers, the analogy between the international organisation and the situation within a single state has meaning. To that extent it is logical and necessary to establish a parliamentary control over those functions which, having been delegated to the new organisation, escape from the normal control of the national parliaments. Among the few powers held by the common assembly of the Coal and Steel Community, for instance, is the power to force the collective resignation of the High Authority; and its sessions have been at their most useful and sensible when the discussion centred upon the report of the High Authority (and when the High Authority's report made clear what questions of policy were before it), and at their most ineffectual when, as earlier this year, it met to debate, without any responsibility, various reports prepared by its own members relating to the Euratom and common market suggestions.

Neither the Council of Europe nor Western European Union has attributes of sovereignty, and their assemblies have no right of censure. Each assembly can send recommendations to its council of ministers and can badger them in public and in private, but that is all. Confusion and ill-will arise when such bodies try to act as legislatures, which they are not, rather than as conferences of well-informed legislators, which is what they should be. The assembly of the Council of Europe has never fully reconciled itself to this. The assembly of WEU is still finding its feet, but it already shows signs of impatience at being an assembly with no laws to make or governments to bring down. This sense of frustration is bound to continue until it is clearly recognised that these assemblies are not, cannot be, and should not try to be legislatures. That is not to say that they have no use. Properly organised, this kind of body could have far more prestige and far greater influence on public opinion and on governments than either assembly on present showing seems likely to achieve. But the road to this prestige and influence does not lie in seeking to interpose the sanction of an international parliament between national governments and the parliaments to which they are responsible; and the fear that any parliamentary body which was officially part of Nato would soon seek such powers for itself (and would become disgruntled if they were not accorded to it) has been a principal stumbling block to the creation of an Atlantic assembly.

What is the function of an assembly of parliamen-

tarians in the second case, where the governments have yielded no sovereignty? And is there room and need for such a body both on a "European" and on an "Atlantic" basis? Although it is clearly a mistake to seek to interpose mandatory consultation in situations where there has been no formal transfer of sovereignty, there are strong reasons for parliamentary discussion of much of the work of organisations such as OEEC, WEU and Nato. Increasingly, the business of foreign relations is done by international committee, not by *aide-mémoire*. And many questions, for example the level of defence expenditures, which once were sacred matters of domestic policy, have become the grist of international discussion. Governments, once they have negotiated with fifteen or so countries, are understandably anxious that the agreements they have reached shall not be upset. But if a group of parliamentarians had the means and the incentive to keep themselves better informed of the day-to-day work of these international organisations, questions could be asked while there was still time to influence decisions. The Council of Europe annually debates the report of the OEEC, but that is too retrospective. The Assembly of the WEU has tried the bolder approach of asking the Council for written answers to a number of questions about the lack of progress towards the standardisation and control of armaments, and then using the somewhat perfunctory replies as the basis of further probing. But the right formula for parliamentary scrutiny of the work of these international executive organisations has yet to be found.

Do distinctions of geography, and therefore of membership, require a separate assembly for the WEU, for the Council of Europe, and for Nato? So long as Soviet policy cuts off eastern Europe, the vital community of interest runs between western Europe and North America; pan-Europeanism today has no real political meaning. North America and western Europe, including the neutrals, have already found an acceptable means of association in the OEEC. Might not a single body serve the parliamentary needs of Nato, the OEEC, WEU and the Council of Europe if full use were made of the device of special standing committees for particular problems—defence, arms control, trade liberalisation—which might concern some but not all of the members?

As things are, proliferation is debasing the currency of parliamentary consultation. Consolidation, coupled with a clearer understanding of the purposes of such bodies—and of their limitations—might provide a new, firmer footing. If one could sweep with a clean broom it would be tempting to suggest that there should be two, and only two, European-Atlantic parliamentary bodies. The first would be a European parliament in name and function serving the European Coal and Steel Community and any other analogous organisations that may be established; the second, a European-Atlantic Community Conference of Parliamentarians (with, let us hope, a simpler name), would serve the community in its largest sense. Unfortunately, those who wield the brooms will find them full of dead hopes and dusty answers. Even so, a little sweeping should be possible.

Notes of the Week

Return to Earth for Nasser

BY five and a half million votes to 2,857, Colonel Nasser became President of the Egyptian republic on Tuesday. The *junta* is dissolved; martial law is ended; until the National Assembly comes into being in the autumn he is responsible, alone and without a scapegoat, for all aspects of Egyptian policy. After a week floating on air—mostly the hot air of double-talk and flattery—it may be difficult for him to steel himself to taking any decision that might be unpopular. Perhaps he can stave off the sterner side of his job by travelling abroad during the hot weather. But it cannot be delayed for long.

The final communiqué on his talk with the Russians seems to have been nebulous because they were ingratiating only in word, and, once down to deeds, made conditions

different from but no less arduous than the International Bank's for helping with Egypt's development. Till now, western reactions to Soviet overtures had suggested to Colonel Nasser that neutralism would automatically produce two suitors, each vying for favours. If, instead, it produces two business associates, each stipulating rigid terms, does it come up to the expectations he has fostered?

At the other end of the Middle East the Shah's doings suggest that even those who commit themselves to partisanship can command attention from both sides. The Shah has led Iran into the Baghdad Pact, yet, where six months ago he was the butt of Soviet invective, this week he has been fetched by their aircraft for a trip round Russia as their honoured guest. President Nasser, who is booked for a similar trip in August, has till then to reason why, though one took the high road and the other the low road, the Shah is in Moscow before him.

Too Many Friends

IT is not only President Nasser who is discovering the complexities involved in an abundance of friendships. The Russians, too, are beginning to find how hard it is to remain friends with people who are at loggerheads with each other—a difficulty with which western diplomats are painfully familiar. By being nice to Iran in hopes of wooing it away from its allies, they risk the collapse of their approach to other Middle Eastern countries, which has been based on the simple invitation: "Stay neutral and see how nice Russia will be to you." By taking up a less hostile attitude to Israel, they have lost some of their former *kudos* in the Arab world. And in regard to Algeria they are finding it hard to appear as champions of Arab nationalism without hopelessly alienating France.

The new Soviet foreign minister, Mr Shepilov, found himself struggling in these cross-currents as soon as he ended his triumphal visit to Cairo and went on to Beirut. The Lebanese presented a written request for a clarification of the Soviet stand on Palestine and Algeria. On the same day Mr Sobolev, the Russian representative in the Security Council, had to skip rapidly from an unsuccessful attempt to postpone taking a decision whether to debate Algeria, to support of the Arab-Asian bloc's demand for an early debate. Having first argued that governments needed more time to study the matter before getting down to it in the Council, he then had to insist that they must hear the Arab-Asian case before they could reach any conclusions.

These embarrassments are not likely to deter the Russians from continuing their effort to woo and win the Middle Eastern world, an effort of which Mr Shepilov's tour is symbolic. But the Soviet diplomats concerned must turn with relief to such simpler aspects of the campaign as the feting of the Yemeni crown prince in Moscow, an event which *Pravda* felt it could safely hail with a leading article which emphasised "the traditional friendship and mutual understanding" between the Soviet Union and the United Nations' most secluded member state.

Freeing the Air

PRECLUDED by its terms of reference from scrapping the fourteen-day rule altogether, the Select Committee on Broadcasting has done the next best thing and recommended its curtailment. If the Government agrees—which presumably it will with relief—then radio and television discussion of any subject will be barred only for seven days before a Parliamentary debate upon it, there will be no ban on discussing a Bill once it has passed its second reading, and the rule preventing MPs from broadcasting about current legislation will be dropped entirely. This new formula will end some of the more obvious anomalies, and some of the worst illiberalities, of the present system. The Select Committee has not been brave enough to recognise that the responsibility for seeing that the rule is enforced should rest solely with the governors of the BBC and the ITA; but its recommendation that a small committee of MPs should advise the Postmaster-General about the details of enforcement is vastly preferable to throwing the job

open to the whole House. The committee should be sensibly enough staffed to enable it to go to sleep.

A sorry story of Parliamentary arrogance therefore seems to be drawing towards a not unsatisfactory end. The evils of curbing free speech on the air have been seen in other broadcasting restrictions beside the fourteen-day rule. The Select Committee said that it was satisfied that the party machines have not exerted any improper pressure on the BBC, yet one Labour MP claimed—and it was not denied—that when he broadcast on sport, the Tories insisted that one of their MPs must do the same; and at one time Transport House actually claimed that because the MP concerned was a Bevanite, there must be five balancing broadcasts by non-Bevanites. The Select Committee concedes that "somewhat narrow decisions" were taken in certain cases, but the truth is that such fatuous incidents will always arise so long as Parliament insists on keeping a foot in Sir Ian Jacobs's door. To judge from the whole tone of this report, however, it is now starting to withdraw that foot, as expeditiously as ruffled dignity permits.

Polygamy in Ethics and Practice

IS neutralism moral? Mr Dulles says not. Prince Moulay Hassan, heir to the throne of Morocco, disagrees, founding his argument on logic so simple that it all but settles the hash. "We are Moslems," he said last week in Cairo, "and have a right to be bigamous. We can marry East as well as West and be true to both spouses."

Yet the Prince's piece of reasoning stamps its author with the mark of his upbringing and income group. Only in circles that are fast dying out is it still possible for the master of the house to shut the door of a harem, box up its jealousies, backbitings and quarrels, and dip into it only at his pleasure. All over Islam, a modern combination of emancipated women and the cost of multiple wiving has already wrecked most husbands' chances of living care-free. The analogy between domestic and political polygamy needs, on examination, to be labelled "perishable."

Anticipating the Next Budget

THE Chancellor has been in a surprisingly informative mood during the committee stage of the Finance Bill. He has followed his undertaking (discussed on pages 1210-1211 of *The Economist* last week) to grant some relief next year to pioneer industries overseas by equally frank indications of how his mind is working on two matters of domestic taxation. On Monday, he intimated that he had little sympathy with Tory backbenchers' proposals to give a tax rebate to those who educate their children at their own expense instead of sending them to state schools; he believes that other ways should be explored of meeting the problem that "the larger families carry rather a heavier strain" of taxation than before the war, and indicated that one of these possible other ways is the Royal Commission's proposal that children's tax allowances should increase with

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Economic Guesses for 1956

IMEDIATELY after the Budget in April, the Study Section of the Royal Statistical Society invited 111 leading economists and statisticians to forecast the movement this year of certain key indices in the British economy. Of the 72 economists who replied to the questionnaire, 48 also set down detailed forecasts of the changes in real supply and demand this year. The averaged figures of their wide-ranging guesses are shown in the second column of the accompanying table; the first column shows the changes in these quantities in 1955.

Since April, however, much water has passed under the bridge; there is more temptation now than there was then to take part in the guessing game. In the third column of the table, therefore, *The Economist* sets down its own, very tentative, guesses for the outturn in 1956. For convenience of reference the items in the table are numbered from (1) to (7), and are discussed in this order below. It should be emphasised that the exercise is not really a forecast that we expect to prove correct; it is, rather, a hazardous attempt to translate the present trends and "feel" of the economy into quantitative terms.

(1) *Gross Domestic Product.* The study group economists' guess of a £340 million increase in gross domestic product this year appears to have been based on an average guess that industrial production might increase by 2.9 per cent over the 1955 level. In the first five months of 1956, however, the industrial production index has run at almost exactly the same level as in the equivalent period of last year; very disappointing figures for May were published this week. To suggest a real increase of even

£100 million in gross domestic product this year—as we have done in the third column of the table—is therefore to assume that there will be some improvement in the present trend.

(2) *Consumers' Expenditure.* The study group economists thought that consumers' expenditure might increase (in real terms) by some 1.6 per cent this year. In the first four months of the year, however, retail prices were 6 per cent above their early 1955 level, while retail sales were only 5 per cent above it; this suggests an actual fall (in real terms) below the 1955 level in this period, especially in consumer durables. In the holiday season ahead this fall seems unlikely to continue, but sufficient restraint to keep the year's real increase to as low a figure as £100 million seems plausible.

(3) *Government Current Expenditure.* Although, even after the latest economy cuts, the estimates for the central government's current expenditure on goods and services in 1956-57 are considerably above its actual expenditure in 1955-56, this rise is more than accounted for by price increases in the meanwhile; in real terms there seems certain to be a fall. Moreover, local authorities' current expenditure may be slightly more usefully pinched than appeared probable in April, and the "new thinking" about the defence programme may cast some small shadow before. A cut of £100 million, in terms of 1954 prices, seems plausible.

(4) *Gross Fixed Investment.* The official estimate is that this will again increase this year, though not by as much as in 1955. There is only a marginal difference between our guess and that of the study group here.

(5) *Stockbuilding.* Here we differ drastically from the average forecasts of those who answered the study group's questionnaire. It must be remembered that the figure required here is the *change in the rate of stockbuilding between 1955 and 1956*; last year stocks were run up by some £350 million, so that if the study group's estimate of a fall of only £35 million in the rate in 1956 is correct stocks will still run up by over £300 million this year (a slight adjustment must be made for the difference between 1954 and 1955 prices). But, if industrial production is only going to increase by 1 per cent or less this year, the increase in that part of stocks which consists of "work in progress" will be very small compared with 1955; and, although this is always a difficult figure to guess at, we doubt if there will be any great net increase in raw material stocks—there may even be a fall. On the assumption that the total increase in both types of stocks may be only about £50 million, the rate of stockbuilding would decrease by about £300 million; that is the figure we have suggested in the third column of the table.

(6) *Domestic Demand.* Our guesses therefore suggest that there might be an actual decrease in domestic demand (i.e. in the sum of items (2) to (5)) this year, of the order of £150 million. If demand falls by £150 million and supply increases by £100 million, there will be resources of some £250 million (in terms of 1954 factor cost) available to strengthen the balance of payments.

(7) *The Balance of Payments.* An accretion of £250 million of resources (in terms of 1954 factor costs) to strengthen the balance of payments would not automatically turn last year's deficit of just over £100 million into a surplus of just over £150 million. Allowance must also be made for changes in prices since 1954, and for any change in Britain's investment income from abroad; thanks partly to the favourable prospect for British oil revenue from abroad, there is a chance that both these factors may work in our favour.

The sort of estimates made here would not therefore be inconsistent with a balance of payments surplus of around £200 million this year. As has been argued in *The Economist* before, it is not inconceivable that a surplus of this sort will in fact be attained; the trade figures for the first five months of the year can be squared with such a hope. But nobody should think that Britain's economic troubles will be over, even if, thanks mainly to low stockbuilding, such a surplus should be temporarily snatched.

CHANGES IN REAL SUPPLY AND DEMAND
(£ million at 1954 factor cost)

	1955 Actual (Change from 1954)	1956 Forecast (Change from 1955)	
		Royal Statistical Society Study Group's Guess	<i>The Economist's</i> Guess
(1) Gross Domestic Product.....	+ 525	+ 340	+ 100
(2) Consumers' Expenditure.....	+ 290	+ 170	+ 100
(3) Govt. Current Expenditure.....	- 55	- 60	- 100
(4) Gross Fixed Investment.....	+ 185	+ 130	+ 150
(5) Rate of Stockbuilding.....	+ 210	- 35	- 300
(6) Domestic Demand.....	+ 630	+ 205	- 150
(7) Left over to weaken (-) or improve (+) the balance of payments.....	- 105	+ 135	+ 250

(Continued from page 1267)

their parents' income. This is broadly the right emphasis. Then, on Tuesday, Mr Macmillan was even more specific about his views on entertainments tax. He gave the deliberate pledge that he hopes that "this will be the last occasion on which it will be necessary . . . for Treasury Ministers to defend the tax upon the living theatre, or, indeed, the entertainments duty in its present form." This did not mean that he thought that "the entertainments duty as such, which brings in £40 million, is necessarily a very high claimant for total remission." But he does want to recast the tax, remembering that "new forms" of entertainment are not as heavily taxed as their older-established rivals. This presumably means that he is considering some sort of additional impost on television.

There are some dangers in the Chancellor's tendency to think aloud so readily. A review of the entertainments duty is clearly only one of several reviews that Treasury experts are conducting behind the scenes; an even more important study, to which Mr Butler referred last October, should be whether purchase tax can be replaced by a flat rate sales tax (this replacement, like the recasting of the entertainments duty, need not necessarily be done in a way that would cause a net loss of revenue). And, in the field of direct taxation, the recommendations of the Royal Commission await action. It would be a pity if the reforms that are incorporated in the next Budget, and those that are left out of it, should be determined by the extent to which Mr Macmillan has allowed himself to be drawn into premature public statements instead of by a dispassionate review of priorities. But the best remedy, of course, would be to put all the desirable reforms into operation together. There is a case here for careful planning of the next session's timetable; room should be reserved now for lengthy discussion of a mammoth Finance Bill in 1957.

Nenni on Liberty

IT is in Italy that the Khrushchev version has created the greatest intellectual ferment. After Signor Togliatti's challenge to Moscow, it was the turn last week of Signor Nenni. His essay in *Mondo Operaio* is probably the most balanced assessment to have come as yet from a leftist political figure. Signor Nenni criticises Mr Khrushchev for not providing any historical interpretation of Stalinism and shows the contradiction between the achievements of the Soviet Union and the portrait of the maniac who apparently presided over the country's destiny. For him, Stalin's heirs cannot find an excuse in terror, because "they had been placed in positions of responsibility . . . precisely to face difficult situations." Finally, he traces the progressive substitution of the Bolshevik dictatorship for that of the proletariat, and of Stalin's rule for that of the party, and concludes that what Russia now needs above all is a change of institutions in the direction of democracy; he thus ends with a measured plea for personal liberty.

What lesson for the future Signor Nenni draws from all this is less clear. His essay is not a mere attempt by a former Stalin Prizewinner to extricate himself from a predicament. He and his party are likely to benefit from

the new situation. They may well gain from both sides: the Communist disarray should bring them some fresh support on the left, while their new emphasis on democracy and liberty could win them the sympathy, not only of Signor Saragat's Social Democrats, but also of the left wing of the Christian Democratic party. How will Nenni manoeuvre in the circumstances? He can use his stronger position to influence Communist policy. He may also look increasingly to his right and progressively relax the "pact of action" now uniting him with the Communists.

His decision will be fateful for the international working class movement. For the moment he merely claims that new relations will have to be worked out. The end of the Cominform and the dethronement of Stalin mark, in his opinion, the end of an era in the international movement as well, and this would indicate that he thinks of creating a new united international rather than of joining the existing anti-communist one. Signor Nenni has aces up his sleeve, but nobody can tell whom he will choose as partner in the game.

One More Chance in Iceland?

THE outcome of Iceland's elections is not in every way as black for its Atlantic allies as it seemed when the first results were announced. The independents, the only party that wants to retain the American base at Keflavik, lost two of their 21 seats, but won a bigger share of the votes than in 1953. They gained support in Reykjavik, and the seats they lost were in constituencies outside the capital which they had held with marginal majorities. At the other end of the scale, the most vehemently anti-American parties hold fewer seats than before. The neutralist "National Defence" group has been swallowed up by the alliance between Communists and left-wing Social Democrats, and this alliance now represents the extreme Left in the Althing with only eight seats out of 52. The Communist and National Defence parties alone previously held nine seats. The gainers are the centre parties—the rightwing Social Democrats and the Progressives. But the Progressive leader, Mr Jonasson, has declared himself unwilling to compromise about the future of the base.

The Icelandic representative on the Nato Council is setting in motion this week the machinery which, if no fresh agreement is reached, will remove the Americans by the end of 1957. Unfortunately, if naturally, the first American reaction to the election has been a strengthening of the tendency to cut clear of unreliable allies. Yet it seems worth while trying to save Iceland from dropping out of Nato for all effective purposes. It may be possible to arrange for the three radar stations on the island to be manned by civilian technicians. This would plug the gaping hole that would otherwise be punched in the North American early warning screen, while recognising the Icelanders' dislike of seeing too many foreign uniforms. But the Keflavik airfield can hardly be kept in full readiness by civilians, and Iceland has no armed forces of its own. The Americans have now to discover on what terms, if any, the Icelanders might allow a skeleton staff to be stationed there. They will almost certainly have to withdraw a good many men, and some of the 90 fighters

reported to be at Keflavik. They might also promise not to take labour away from the fishing industry to work at the base, and to waive their forces' claim to exemption from customs regulations. It is to be hoped that their first understandable indignation will give way to a readiness to negotiate for what can still be retained.

M. Pineau's Homecoming

M. PINEAU went to Washington primarily to shake western diplomacy free from its routine reactions to changes in the Soviet world. For once a French minister did not cross the Atlantic in search of kudos; and on Algeria M. Pineau could not expect more than guarded American support for French strivings "towards a peaceful solution." Yet even in his main task he probably failed: he certainly has not convinced Mr Dulles of the need for a radical revision of western strategy. Coming after Dr Adenauer's plea for vigilance and *immobilisme*, M. Pineau's evocation of a future in which the Big Four might regain something of the spirit of their wartime alliance must have struck many Americans as a dangerous mirage. They may have been impressed by his sincerity and reassured by his declaration that none of these ventures involved betrayal of the Atlantic alliance, but they were not convinced. When M. Pineau took over the Quai d'Orsay, he had the reputation of a staunch anti-communist and a mild "European." The files which he found and his many travels—to Delhi and Cairo as well as to Moscow—persuaded him that western strategy could not remain static while the world was moving into the post-Stalin age of nuclear stalemate. Hence his periodic bombshells and schemes such as the plan for channelling aid to under-developed countries through the United Nations. Above all, he feels that the evolution inside the Soviet block is of the utmost importance, and everything must be done to speed it up. A French saying has it that you cannot catch flies with vinegar, and in M. Pineau's view the West should cover its propaganda pill with the sweet coating of trade and wider contacts.

His journey to Washington coincided with a brisk reshuffle in the Quai d'Orsay, including the retirement from the post of general secretary (the equivalent of the British permanent under-secretary) of M. Massigli, who made many friends here during his long embassy in London. It is difficult to discern a political pattern in the reshuffle, and the appointment of M. Hervé Alphand, an apostle of the EDC, as ambassador to Washington is enough to dispel the silly charge that this is a case of "plums for neutralists." Right-wing critics are particularly displeased with the appointment of M. Louis Joxe to succeed M. Massigli. Not that even his opponents would question the ability of this brilliant postwar recruit to the diplomatic career. Rather they cannot forgive him that, as ambassador in Moscow after Stalin's death, he was the first to sense the changing climate and to insist on the importance of the thaw. Must an independent mind always be held suspect? Western politicians ruffled by a new initiative from Paris would do well to ponder whether, for once, it is not the product of French intelligence rather than of Gallic fickleness.

Aid for Malta

MR MINTOFF, Prime Minister of Malta, appears to be seeking a quarrel with the British Government. It arises from the amount of British financial aid in the present year, which has been fixed at £5 million, with a similar ceiling for each of the four succeeding years. These estimates were based on the opinion of the round table conference last year; but Mr Mintoff declares that the conference was wrong, that his government's own estimates entailed a contribution from Britain of over £8 million for the present year (which by spreading out the development schemes it had since managed to reduce to £7 million), and that any lower figure would oblige him to dismiss a large number of workers from government employment. This he is not willing to do, and if agreement is not reached by the end of this week he says that he "will have no option but to advise dissolution."

Under the plan agreed last March, the next Maltese election was to have been held on the sole issue of integration with the United Kingdom, after an integration Bill had been passed by the Parliament at Westminster; if an election were held now, and on a quite different issue, the whole question of union with Britain would be returned to the melting pot. There is not really enough evidence available to pass judgment on the purely financial ingredients of this quarrel: the Colonial Secretary may have been unwise to try to fix a limit for Britain's aid for so long ahead (although, at the time that Mr Mintoff made his statement, it was thought in London that the precise terms for aid were still open to negotiation). But the overriding impression to be drawn from the affair is that, politically and diplomatically, Mr Mintoff is making a clumsy mistake. "I am essential to your policies, so you must give me £2 million more money." That is how his attitude is being interpreted in London. Cannot he see how difficult this makes it for friends of integration to persuade the British Government not to adopt the natural British reaction, which is to throw the book back in his face?

No Share-owning Democracy

TWO Liberal amendments to the Finance Bill this week provided an opportunity to test how far the Government's vague enthusiasm for profit-sharing schemes, which the Prime Minister himself so unexpectedly expressed just after the last general election, has cooled in the intervening twelve months. The answer seems to be that it has cooled quite a lot. Sir Edward Boyle dutifully assured the Liberals that Ministers "have by no means lost their interest in this extremely important subject," and that the Inland Revenue will continue to help any firms that want to go ahead with such schemes; but this help will be confined "within the framework of the existing law." The most important of the Liberal amendments would have removed a disability from genuine share distribution schemes, as distinct from the milder and more usual form of scheme where employees get a cash bonus when and if their firms' profits go up; Mr Grimond thought that employees should not pay tax

on the value of any shares distributed to them until and unless they sell these shares and receive cash for them. The Government turned this proposal down flat.

Figures recently published by the Ministry of Labour have traced 310 profit-sharing schemes now in operation in British industry, excluding schemes run by co-operative societies; of these traced schemes, 259 provide cash bonuses (the average addition to annual earnings is 6.3 per cent) to 321,064 workers, and only 51 distribute shares to 23,728 participants. The Ministry has also done some research into the history of the 605 profit-sharing schemes that have terminated since its records began. As might be expected there has been an inevitable mortality from the failure of businesses or their absorption into others—one-third of the schemes disappeared for these reasons. But of the remaining two-thirds, apathy and discontent and "want of success" accounted for the greater part; and it is significant that 75 schemes ended by the substitution of higher wages or shorter hours for the shared profits. Although there will probably be a continuing growth in the number of firms that pay cash bonuses when their profits rise—a sensible form of additional wage payment for expanding concerns—it seems probable that, in the absence of Government encouragement, last year's heightened interest in share distribution schemes may prove to be a flash in the pan. As the Liberal amendment would have been an incentive to saving instead of spending, it is a pity that the Government did not let it go through.

Cut-throat Competition

TWICE in the last fortnight cases have been reported of men sentenced to seven years' imprisonment for malicious wounding. Since then there have been more arrests, in one case for murder, and the public is naturally wondering, since all the cases appear to be somehow connected, what the police are doing about it. In his summing up in one case last week, the judge said that the facts sounded more like Chicago in the worst days of prohibition than London in 1956.

That was an excusable judicial exaggeration. But in London, as in Chicago, the background to the crimes is prohibition of an activity that is nevertheless widely carried on. Gangs are apparently slashing each other in order to protect their share in the "protection" market: the flourishing business by which a gang demands large sums of money from a bookmaker under threats of breaking up his stand on a racecourse—and possibly his business and home town—if he refuses. A bookmaker's reluctance to seek the protection of the police when he is threatened in this way possibly arises from reluctance to tell them that he himself has been carrying on an illegal street gambling business; it is notable that, although the racket has been spreading to blackmailing protection of some cafés and clubs in the West End, the sort of clients the "protectors" really prefer are those who are not in the best odour with the authorities.

The other deterrent to giving evidence about attempts at extortion is, of course, fear of the gangs' own retribution. The police have new powers to help them in combating gang violence—the Prevention of Crime Act of 1953, which enables a policeman to arrest without warrant a person he

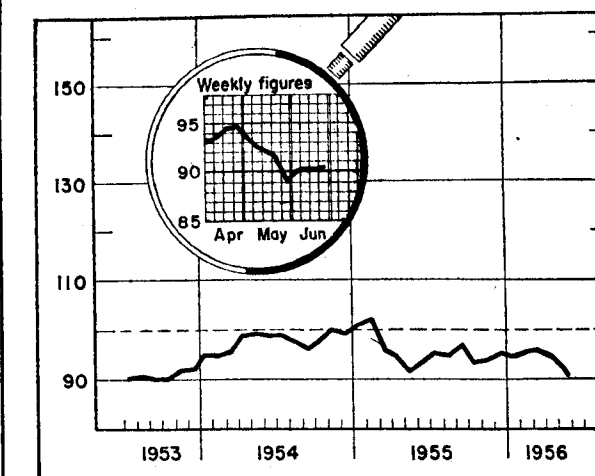
believes to be carrying, without reasonable excuse, an offensive weapon in a public place. But this legislation was designed against the casual "cosh-boy" rather than members of organised gangs. The police's best ally in breaking up gangs would be the co-operation of anyone threatened by them, even if he himself was within the shady side of the law. Are the police being sufficiently flexible in trying to enlist this?

More Supreme Soviet?

IT is a sign of the times that the *Daily Worker*, which has long lauded Soviet democracy, should now splash on its front page an exclusive report that Russia is apparently to take a step along the road towards parliamentary government. An elementary, but also revolutionary, electoral reform is to be discussed by the Supreme Soviet at its session opening on July 11th. Hitherto citizens going to the polls, whether in elections to the republican or to the All-Union soviets (i.e., councils), have had the right only to vote, not to choose. Though various organisations can officially put forward candidates, only one is nominated, leaving the elector the risky alternative of spoiling his vote. Now, according to the *Daily Worker*, several candidates will probably contend for a seat, which "would also mean election campaigns of a different character from those of the past."

These pointers to a revival of parliamentary life coincide with violent strictures in the press upon past performance. The indictment of the republican soviets published in the legal journal, *Socialist State and Law*, is also applicable to the Supreme Soviet. The journal accuses these soviets of having such short sessions that they are merely a parade. Speakers are designated weeks in advance; often they read from other people's lines. The right of interpellation is not exercised and, instead of being legislative bodies, the councils, it is admitted, have become institutions for endorsing decrees passed on by the presidium.

COMMODITY PRICE INDICATOR
1952 = 100 MID-MONTH FIGURES



Such outbursts seem to indicate an intention to put some life into these rubber-stamp institutions. Since Stalin's death many parliamentary commissions have been set up and they may well witness lively debates, though little is heard about it in the outside world. But it is not to be supposed that the new regime can travel far on the parliamentary road. To make any sense the presence of several candidates must involve differences of opinion; in other words, it postulates the existence of opposing factions, if not actually of opposition parties. Stalin's heirs certainly do not intend to run such a risk now in the country at large. It has just been officially reasserted that the Communist party rules the Soviet Union. It is within the party rather than on the parliamentary stage that one may expect departures from Stalinist orthodoxy.

Foreign Schools and Egyptian Standards

WHILE Egypt as a whole is rejoicing at emancipation from foreign military influence, one small group within the nation views with misgiving the prospect that all foreign establishments are going to be squeezed out regardless of their value to Egypt's development. Disquiet is great among the fraction of the population that sends its children to foreign schools for the sake of the good education they get there. There are 284 foreign schools in Egypt, principally of French, British, Italian and American origin, and having some 96,000 pupils.

The schools, as well as their patrons, are in dismay. Their immediate cause for alarm is a new education law prescribing that all schools shall teach pupils only their own religion. At first glance, this prescription does not look exacting. Egyptian state schools give Islamic and Christian teaching respectively to the two groups among their pupils, and the secular foreign schools—such as Victoria College, Alexandria, and the American School at Maadi, which charge high fees and reckon to pay their way independent of support—will no doubt be able to do likewise.

But the denominational and mission schools are differently placed. Run by sects and orders that range from Jesuit to Presbyterian, they depend for at least half their maintenance on gifts from the faithful in their countries of origin, who give for the teaching of Christianity. Yet they have many Moslem pupils and more queueing to get in, not with a view to becoming proselytes (there are no recorded conversions except as between Christian sects) but because of the high standard of the schooling. If these Christian foundations are faced with a choice between teaching Islam and losing their Moslem pupils, many will have to close down; few could make ends meet were their entry confined to Christians.

Danger signals are beginning to appear. The newspaper *al Goumhouriya* has described missionary societies as "spearheads of heinous imperialism," and, this month, two mission teachers have had their residence permits withdrawn for instructing the children of Moslem parents in Christianity. Taking time by the forelock, the Scottish Mission School at Ismailia and one or two others have decided to close their doors. The Jesuits and Franciscans are consulting the Pope.

The principal sufferers by a general closure will be

Egypt's Christian minorities—principally the Copts, but also the Orthodox and Catholic communities of Syrian and Greek origin. But Moslems will suffer, too, because the same standard of teaching is not easily to be had. Indeed, for some years it will be attainable only abroad, where it will be expensive to get, and where Egyptians will have to acquire it among Christian influences anyway.

Franco in the Middle

GENERAL FRANCO is demonstrating once again his talent for patient manoeuvre. Recent developments in Spain indicate that he is working out a compromise with the Falange in order to prepare the way for a peaceful restoration of the monarchy. Many of General Franco's followers and old companions in arms view this restoration with misgiving. They have few illusions about the qualities of the Spanish royal house, and fear that the re-establishment of a royal court will bring with it some of the weaknesses that have characterised Spanish dynastic history since the seventeenth century. To allay these fears, and to enlist the Falange in support of his policy, General Franco is allowing the party to increase its role in Spanish life, and has agreed that it must retain its special position even under a constitutional monarch.

Under the constitution which is being considered, the Falange would be assured of a majority of seats in the Cortes and there would be provisions making the formation of an organised opposition exceedingly difficult, if not impossible. Moreover, the Falange would be given a legal or "juridical" basis as a permanent part of the Spanish state rather than as a political party in the ordinary sense. The head of the government would be chosen by the Cortes for a term of three or five years, but it is not yet clear whether there might not be a special office, such as "head of state," above the premier and below the throne. Locally, the Falange is attempting to widen its popular appeal and to include non-Falangists in some of its activities. A branch is to be set up in each municipality, and the secretary-general of the movement, Sr Arrese, is trying to persuade both his followers and the public at large that the Falange can and must co-exist with whatever regime succeeds the Franco era.

The entire process of gradual transition from the Franco government to a monarchy resting on Falangist support

INDEX

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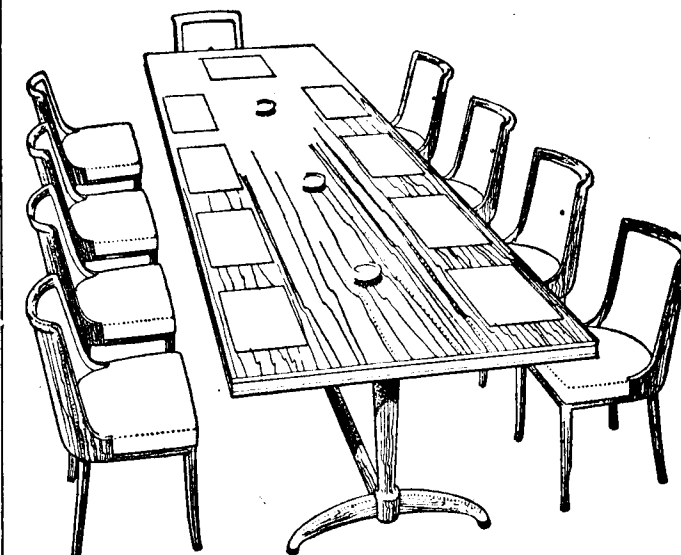
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Fear not, dear lady. A mod. kitch. always looks thus when it is bg. blt. One day soon, glue-pot, sawdust and long-suffering joiner gone, you will find that the architect was right after all: it will be a dream kitchen. Nowadays such dreams are made, to a large extent, of hardboard, a most workable building material that is seen—and taken for granted—in shelves, partitions and cupboards at home, the office and the factory. But this versatile board is only one of the things that Bowaters make. The full catalogue runs from delicate tissues to newsprint rolls $4\frac{1}{2}$ miles long. For the enjoyment of living, Bowaters provide paper for magazines and books, for wrapping sweets and biscuits. For the business of living, Bowaters provide packages for commerce and industry, even building material. Directly or indirectly all benefit from the diversified activities of the Bowater Organisation.

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may, however, be endangered by the army. There are increasing signs that the army is satisfied neither with the slowness of the negotiations between General Franco and Don Juan—whom certain generals tend to prefer as a potential ruler to his son, the Infante Juan Carlos—nor with the efforts of the Falange to perpetuate its powers. Small groups of officers have formed discussion circles in such centres as Valencia, Seville, Valladolid and Barcelona, and these groups—over-hastily labelled “juntas”—are providing a natural nucleus for dissenting opinions. The army, moreover, is letting it be known that it considers itself as the legitimate guardian of tradition and national destiny. This complex and even dangerous situation will not necessarily disturb General Franco's equanimity. He is at his finest when playing off two hostile forces, be they the Axis and the allied powers or the army and the Falange.

Awakening in the AEU

MR WOODROW WYATT'S television lesson about elections in the Amalgamated Engineering Union seems to have been well learned. In the run-off for the union's presidency Mr W. J. Carron has beaten Mr Reg Birch, the communist who topped the poll in the first ballot, by 83,847 votes to 35,400. At the first ballot only 9 per cent of the membership voted; at the second ballot 12 per cent did—still a tiny turn-out by most standards, but, for AEU elections, a record. The extra 3 per cent were presumably those who woke up to the issues involved.

This may not be the last shock for the communists in the AEU. Mr Carron's decision to stand for the presidency created a vacancy on the executive council. The communist candidate for it is Mr H. Ulliyatt, who even in his own branch of Sheffield has won a majority of only 14 over Mr P. R. Hanley, a comparative stranger from Lincoln, who is the strongest non-communist candidate; and returns from some other branches in the district are showing a majority for Mr Hanley. Another vacancy on the executive, this time for the London division, has been caused by the decision of Mr Joe Scott, a prominent communist, to stand for general secretary. Mr Claude Berridge is the communist nominee, a strong candidate. But his non-communist opponent may yet break the tight grip that the communists have maintained over London branches of the AEU for almost twenty years. A short time ago the communists were fairly confident that, by a successful election of Mr Ulliyatt, they would secure an actual majority on the union's executive. Now it looks as if they might be about to lose one of the minority seats they already hold. Mr Scott does not seem likely to get the general secretaryship in compensation; his opponents for this office are Mr John Boyd and Mr Cecil Hallett, who is one of the union's two assistant general secretaries.

What the Press Council Can Do

IN the eyes of the public, the Press Council's sole function is to reproach some editor from time to time for lapses of taste in newsgathering and reporting. PEP, in its latest

broadsheet,* reminds press and readers alike that the council, as envisaged by the Royal Commission on the press and as is implied by its objects, has two other purposes to serve besides that of a tribunal: it was intended to be an institute and a trade association as well.

Whatever views may be taken about how efficient the council is as a tribunal, PEP is clearly right in saying that it has done virtually nothing about fulfilling its other functions. The broadsheet points out that the council has been silent about independent television, in spite of the direct participation by the press in the companies; nor did it comment on the newspaper strike last year. Of greater long-term importance, it has not concerned itself with the recruitment of journalists, although this was ranked by the Royal Commission with the formulation of high standards of professional conduct as the two outstanding problems for the council to solve.

With an expenditure restricted by its constitution to the derisory figure of £3,000 a year, the Press Council could obviously do very little about its non-tribunal purposes, even if it wanted to. But it is surprising that, its composition being what it is (eight editors, seven journalists and ten representatives of management), it has shown itself so zealous as a tribunal. When it has considered a newspaper at fault it has not hesitated to say so, just as it has not hesitated to uphold an editor when it has considered a complaint pompous and unjustified. Whether the inclusion of a lay member on the council, which the Royal Commission proposed and which the proprietorial organisations firmly opposed, would strengthen it is, PEP thinks, not

* Planning. Vol. XXII. No. 397. 2s. 6d.

Limited Liability

We cannot say that the Legislature now, or at any time, in making new regulations as to companies, with which it has occupied itself off and on for about a quarter of a century, has meant to place impediments in the way of the formation of companies to carry on business; but certainly the effect of subjecting them to heaps of cumbrous regulations to which private business cannot be subjected, places them in relation to it at a disadvantage. We shall be surprised if encouragement be really given by this act [establishing limited liability] to the formation of companies. The Legislature, from some old and, we believe, unfounded prejudice—for there is no reason why men should not be fully at liberty to carry on honest business of all kinds by means of convenient associations as by single hands—and many reasons why they should—may have endeavoured to preserve advantages to private traders as against companies; but certainly, under such complicated and often changed laws as ours, it is surprising that such associations have flourished at all in competition with tolerably free private enterprise. They must be very suitable to the circumstances of the age, or rather they must now be necessities of society, to succeed in spite of all the impediments sometimes, perhaps, designedly laid in their way by legislation since it began in 1826 to sanction means to promote their establishment. The superiority of private management, and the success of private enterprise, as general rules, are not doubted; and when associations, encumbered by minute legislation, flourish in spite of it, they must be very much needed.

The Economist

June 28, 1856

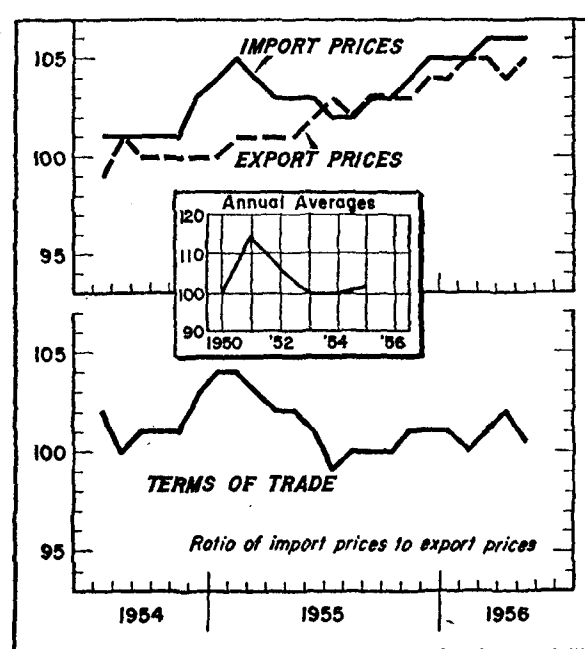
proven—at least, for the time being. There is something to be said for the suggestion in the broadsheet that, when the council has given enough decisions, it should publish a professional code of conduct embodying them. But in the last resort the effective maintenance of such a code depends on the quality of the men and women it is supposed to bind. If the council can ever give serious attention to the question of recruitment, it may, in the long run, find itself with less to do as a tribunal.

Germany Cuts Tariffs

THE announcement of unilateral tariff cuts by a major trading nation is a rare event, and the cuts approved by the West German Bundestag deserve a hearty welcome. Tariffs which brought in about 13 per cent of last year's customs revenue will be cut for a period of eighteen months, to encourage imports and press down prices. Making use of his vast foreign exchange reserves, Professor Erhard has thus once more taken as his main weapon against inflation liberal, expansive measures which will benefit world trade and, not least, the British exporter.

The tariff cuts, however, are a good deal less sweeping than the 30 per cent reduction which Professor Erhard proposed a few weeks ago. The farmers' lobby succeeded in mutilating his proposals within the Cabinet and thus depriving them of most of their effect in the most vital sector—the cost of food. Not for the first time Professor Erhard was forced to sit glumly through the debate, whilst Opposition speakers echoed the arguments he had put forward in the Cabinet and loudly supported his own original proposals. One other proposal of Professor Erhard's for meeting inflation has also disappeared, this time in the face of opposition

UK TERMS OF TRADE
1954 = 100



from industry. The investment allowances which permit producers to write off as much as three-fifths of the cost of new equipment against tax within three years, and which he wished to cut, are to remain in force: an immense stimulus to expansion. Some other useful measures are still proposed—incentives for saving, restrictions on hire purchase, and a valuable promise to cut state investment, other than in housing and defence. But in the course of the long discussions which have followed Dr Adenauer's attack on his Ministers last month, their programme has been a good deal watered down. And it is still not clear how much additional demand is to be created by tax reductions.

Nevertheless, recent weeks have given reassuring signs of German ability to meet inflation. There have been mild indications of an easing in demand, possibly the result of the tightening credit squeeze. Lately, too, it has become evident that a wide cross-section of opinion supports vigorous action to preserve the purchasing power of the mark. The press has almost unanimously defended the independence of the Bank deutscher Länder, which Dr Adenauer had seemed to attack, and a surprisingly large section of industry (as well as the traders and consumers) backs Professor Erhard's tariff cuts.

Wings Over Lhasa

THE Chinese have opened up regular air communication with Lhasa. Pictures of an airliner swooping past the famous Potala palace have brought home more effectively than any other recent evidence from Tibet the fact that the seclusion of this once mysterious and inaccessible country is a thing of the past. It has not been easy to develop this new air link. Not only has it been necessary to prepare and equip airfields with supplies brought great distances over mountain roads, but there have been the technical problems of taking off at high altitudes, since most of Tibet is more than 12,000 feet above sea level. But Peking's hold on Tibet will now be greatly strengthened, and the effects of this may soon be manifest; the Chinese will be less dependent on the co-operation of the lama hierarchy and may be expected to proceed to fresh measures of "liberation" with the aid of young Tibetans who have been to China for indoctrination.

Externally, too, the strengthening of Peking's control in Tibet may raise questions which have not hitherto been urgent. Long stretches of the frontier between Tibet and India, and between Tibet and Nepal, have never been demarcated. The members of a Himalayan climbing expedition who were arrested by Chinese frontier guards a few months ago were on ground which is regarded in Katmandu as a part of Nepal, but Nepalese views do not appear to have carried any weight with the Chinese. Such incidents are now likely to become more rather than less



frequent. Even though there may be a will for peaceful co-existence in Delhi, Katmandu and Peking alike, it is difficult for powers to respect one another's sovereignty if there is no agreement where those sovereignties begin or end. The Himalayas form a massive natural barrier between the two worlds now in contact in the heart of Asia, but they are not an exact frontier. The policies of both India and Nepal are apparently based on the principle of letting the no man's land stay as it is, but conditions are changing, and they might be wise to seek now an agreed border demarcation with China before incidents in the zone of unrecognised claims give rise to disputes that might prove dangerous and untractable.

Private New Town

SINCE the war fifteen new towns have been developed by public corporations. Richard Costain Limited, the big private building contractors, have recently produced the first scheme for a new town to be built primarily by private enterprise. The site is on the Thames estuary at Allhallows-on-Sea in Kent; the plan is to create by stages a commercial—and reasonably self-sufficient—town of about 25,000 people, following broadly upon the principles that have brought a fair measure of success to the public new towns round London. Allhallows will in fact have the services of the former general manager and of the architect-planner of Harlow. Their intention is to build the town in a series of neighbourhoods, which will eventually be linked to a new town centre, and to attract new industries to supplement the employment that is already available in the nearby British Petroleum oil refinery.

The experiment should be well worth watching. The great difference from Harlow or Crawley is that most of the houses at Allhallows will be unsubsidised and built for owner-occupiers. How far will the elegant security of Harlow-style architecture have to be changed to meet their tastes? And how many industrial workers will be willing to buy their own houses? The last question is crucial. If industries and workers are not attracted in sufficient numbers, then Allhallows is likely to be colonised—as it almost certainly would have been before the war—by London office-workers. This would destroy the proposed town's purpose—a purpose which, if faithfully implemented, deserves the support and co-operation of the local authorities and of Mr Sandys.

The Price of Enosis

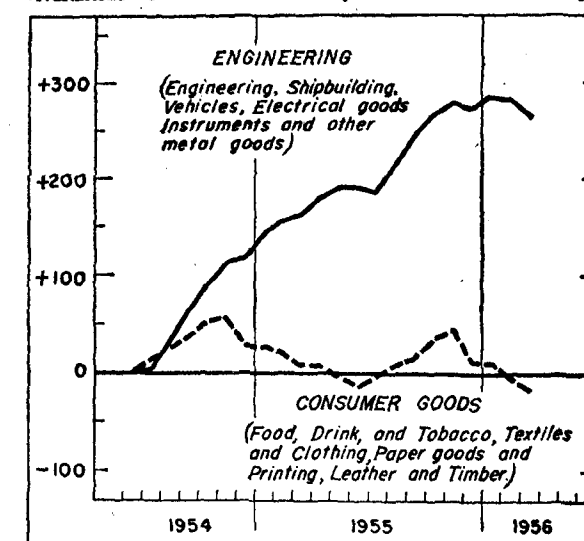
THE "voice of the Fatherland" (Athens radio) excelled itself in a recent bizarre excursion into economics. "Field-Marshal Harding and his assistants have drawn up a plan for the economic destruction of the Greek Cypriots," it declared; and went on to list two main forms of repression—the £1,500,000 included in the budget to pay for the emergency (of which the Greeks, it said, would pay 80 per cent), and an alleged £240,000 worth of damage to Greek property done by Turkish rioters in the last three months. This, together with £60,000 of collective fines,

"represents £2,400,000 a year," the broadcaster declared, "or an increase of 34 per cent in individual taxation."

The arithmetic is certainly remarkable and the "taxation" can scarcely be called direct, but the lament for the economic plight of Cyprus does touch on the skirt of truth. Terror and the counter-measures against it have struck cruel blows at the economy of Cyprus. Retail trade stagnates; stocks are being reduced by shopkeepers who fear violence. Imports, except for the British forces, have been reduced to a trickle. But heavy military spending, far from crippling business, is the blood transfusion which is keeping Cyprus alive.

At the same time, the economic argument is about the most transparent which any advocate of enosis could put forward. True, Cyprus perhaps received less attention than other colonies until the emergency induced the British Government to put forward hastily its £38 million development programme. And the steady stream of emigrants to Britain (9,251 between 1952, and August, 1955) is as much a comment on Cypriot poverty as on the attractions of the "mother" (step-mother, to Greeks) country. But despite past neglect, enosis could scarcely be expected to bring economic benefits to Cyprus. Cyprus has none of the mass unemployment which causes such ugly poverty in Greece, nor such heavy defence costs. If enosis took place, Cyprus would have to carry some of these burdens, through higher taxation. The Cypriot peasant would also lose his small but significant tariff preference in the British market; the potential restaurateur his opportunity to emigrate to Soho. And the Cypriot merchant (though not the peasant) would probably have to borrow money at high Greek rates of interest (at least 12 per cent) instead of the 7 to 9 per cent which British-backed banks offer him today. Much of the Cypriot banking system, indeed, might be endangered, through flights of capital. These arguments do not confound convinced enotists; many are willing to pay the price. But if Cyprus did ever join with Greece, one strange economic implication would emerge. The British base, already the driving force of the island's economic life, would become more vital to it than ever. Fortunately, the Greek government seems aware of this.

CHANGES IN EMPLOYMENT
in GREAT BRITAIN
INCREASES OR DECREASES SINCE JUNE 1954 [THOUSANDS]



Books & Publications

Fiscal Master

TREASURY CONTROL.

By Samuel H. Beer.

Oxford University Press. 145 pages. 15s.

IN a modest compass Professor Beer has written an important and readable book. Hitherto no work has adequately described the immense changes in Treasury structure and outlook which have taken place since 1939 and which reflect the growth of the British government's responsibilities in the fiscal and economic fields. General studies have been unable to devote sufficient space to give an adequate account of the new arrangements, while Sir Edward Bridges's Stamp Lecture in 1950 was also inevitably limited in its scope. Besides, much has happened in the last five years. It is especially illuminating, too, to have a report by a sympathetic outsider, who is an American, on such a peculiarly British type of revolution as that in question. And it is especially appropriate at the present time, when a number of British overseas territories are looking about for a substitute for the traditional colonial form of budgetary control, as they move forward along the path to self-government. (Thus Kenya, following Southern Rhodesia, is just going over to the Treasury system.)

One of Mr Beer's most important contributions is his pertinacious attempt to unravel the nature of Treasury control. He sees, as so many outsiders fail to do, that while Parliament has given the Treasury vital duties, first of interpreting Government policy as it gradually matures over the year, and, secondly, of co-ordinating it within the possibilities of the nation's resources, Treasury control is never positive direction. If it ever goes beyond what can be achieved by bringing all interested parties into the discussion at all levels, a process which normally ends in a reasonable compromise, what "direction" occurs is inevitably negative; such and such a proposal is not consistent with existing commitments. It is this, of course, which earns for the Treasury the reputation of being "inverted Micawbers," ever waiting for something to turn down.

The most solid part of Mr Beer's book is the long chapter on financial co-ordination. In this, particularly important are the appraisal, first, of the nature of "prior approval," and, secondly, of the position of the accounting officer, "a major reform of the interwar years." Prior approval is shown to be not only essential to the effective co-ordination and balance of policy, but also an important contribution to flexibility. It enables the British executive to incur liabilities in advance of appropriation in

a way that is impossible under the American system. Indeed, the Treasury now obtains estimates of departmental plans two years ahead. Such flexibility is especially useful for the control of continuing projects, such as occur both in defence and development, whose very nature cuts right across annual accounting. There is another side to this, however, which Professor Beer perhaps brings out insufficiently: Parliament is faced less squarely with the total cost of a scheme (and hence of the cost of variations after it has been started) than under the American system. This is a point that has repeatedly worried the Select Committee on Estimates.

Professor Beer's analysis of the position of the head of a department in his capacity of accounting officer should go far to disabuse outside observers, especially in the United States, of the belief that accounting officers control their ministers, are themselves controlled by the Treasury, and that hence *de facto* the Treasury runs the country. The relation between the accounting officer and his minister is a subtle, and sometimes a delicate, one; but the accounting officer is the lynch pin of the whole system of control. In a country where representative government is in course of development the institution can also be of vital importance in the process of political education. Mr Beer makes it clear that a determined minister can bypass not only his accounting officer, but also Treasury co-ordination, by going straight to the Cabinet; but the Chancellor will probably insist on consulting the Treasury before action is taken, and, generally speaking, the Cabinet will call for a Treasury memorandum before placing a proposal on the agenda.

The succeeding chapter on economic co-ordination may arouse higher expectations than are justified; it is somewhat sketchy and unsatisfactory. This is perhaps inevitable, since it is not possible to do more than describe in broad terms a process of experimentation which is still going on. The account of British experiments and changes in the mechanism for the "formulation of general economic policy" (which outside the Treasury would probably be called planning) contains, however, one extremely important hint for countries now establishing statistical and economic departments. In the long run it is quite essential for these to be subordinated to the department that has the continuing responsibility for the co-ordination of expenditure and revenue in general. Fiscal policy cannot work if it has two masters.

The End of the Peace

DOCUMENTS ON GERMAN FOREIGN POLICY 1918-1945: Series D, Volume VI, *The Last Months of Peace*. Her Majesty's Stationery Office. 1,242 pages. 50s.

THIS volume of documents contains a great deal more, and more important, material than Adam Trott's comments upon a weekend at Clivedon or the revelation of leaks in Foreign Office security. It is indeed a volume of singular interest, covering the period from March 16 to August 8, 1939, about which we had already had the British and much of the Italian evidence. It is a volume for which all students of events leading up to the outbreak of the war had been waiting with impatience. Nor will they be disappointed.

Technically, this publication is of value in making it possible to see exactly what the Germans omitted, in their White Books, about their quarrel with Poland that precipitated the war. Here, too, we find much fuller evidence, of course from the German side only, than was provided in "Nazi-Soviet Relations," about the preparation of the Nazi-Soviet Pact.

Complementary to the conversations leading to the Russo-German rapprochement is the abortive attempt made by the western powers to achieve their own military understanding with Russia. About this Dirksen was able to inform Ribbentrop so fully that Ribbentrop pushed on his approaches to Moscow faster than he might otherwise have hazarded. Simultaneously the attempts to build up a triple German-Italian-Japanese alliance merged, thanks to the negative attitude of the Japanese, into the negotiations that reached their climax in an aggressive, military dual alliance between Germany and Italy—the Steel Pact signed in Berlin on May 22, 1939.

The volume opens on the day after Hitler's occupation of Prague. Although German-Polish conversations were at first stimulated by this sinister event, they soon came to a standstill in deference to popular sentiment in Poland, which sensed that Hitler was as much the Poles' enemy as that of the Czechs and that he intended their turn to come next. The reader is made aware of a background of nervous excitement in eastern Europe. Against this Mr Gafencu, Rumanian Foreign Minister, made the European tour which he long ago described in his "*Derniers Jours de l'Europe*." Now we find here the German minutes of the conversations he had with Hitler and Ribbentrop at his first port of call, Berlin. These records, and indeed many of the documents in this volume, give the reader a distastefully different impression of his attitude from that conveyed by his own account. But perhaps the Germans misunderstood or twisted his remarks, or perhaps his fear of Russia obscured his fear of Germany for, like most people at the time, he did not realise that Hitler and Stalin were already tentatively preparing to come to terms.

Finchden Manor

MR LYWARD'S ANSWER.

By Michael Burn.

Hamish Hamilton. 288 pages. 21s.

BEFORE Mr Burn wrote his book the existence of Finchden Manor was known to only a few, apart from the 250 or so boys who have lived there for varying periods over the last twenty-five years. It has now been placed well and truly on the map, for he has achieved the difficult aim he set himself—to write a full-scale account of the treatment there of maladjusted adolescents that is intensely interesting to the general reader.

Mr Burn lived at Finchden Manor himself for many months while he was gathering the material for his book, and being a journalist he has made skilled use of his experiences and observations. The reader will find himself forming a substantial picture of the staff (mostly ex-pupils themselves) and the boys and of the community's activities, including the highly unorthodox lessons. Curiously, however, the person who remains least real at the end of the book is Mr Lyward himself. One grasps the fact that he is an exceptional man, highly intuitive, with a wonderful gift for treating unhappy and distorted adolescents, many of whom come to him with records of violence and all of them with histories of conflict with authority in the shape of parents, school or the law. Mr Burn makes much of various clues to Mr Lyward's methods which he picked up from his conversations and writings: the boys' lives had been "usurped" by grown-ups; they needed a "respite" to recover their childhood and be "weaned" before they can start to become mature; treatment has to be "unfair," because what may suit one boy at one time will not be what another needs—a proposition so contrary to orthodox English doctrine that it is astonishing to learn how readily the Finchden boys accept it.

But these clues still seem to leave Mr Burn, and consequently his readers, guessing at the inner core of Mr Lyward's secret. Mr Burn nevertheless goes on trying, to the very end of his book, and his persistence—his determination to explore Mr Lyward's gift from every possible angle—tends to make his narrative somewhat repetitive. His experience at Finchden might have been even more fruitful had he accepted Mr Lyward's personality as defying analysis and obtained fuller accounts of some of the boys. Only one case is given in any detail, and even here the reader is still left wondering why, with a family history not all that bad as family histories go, young Alastair should have become such a problem boy. An attempt might, too, have been made to explain the failure of Flynn, a boy whom Mr Burn liked and whose final outburst he witnessed, to respond to Mr Lyward's methods.

For Mr Lyward's answer is not always the right one; or, rather, it does not always produce the desired results, though his successes far outnumber his

failures. Mr Burn records the failures honestly. But his uncritical acceptance of all he found at Finchden, and his wonderment at it, will exasperate some workers in this field who, for all their admiration for Mr Lyward, know that while his methods may be unique his vocation is not. Finchden Manor is outstandingly successful with boys of a particularly difficult age—the average is 17½—but possessing a relatively high intelligence—at least grammar school standard. But it is not the only place on the map where devoted and valuable work among the maladjusted is being undertaken.

The Changing Tycoon

THE BIG BUSINESS EXECUTIVE.

By Mabel Newcomer.

Columbia University Press. London: Cumberlege. 176 pages. 32s.

THE entrepreneurs and the capitalists depart; the professional administrators arrive. In place of the Vanderbilts and Goulds and Rockefellers, and the whole swashbuckling range of the business tycoons who featured in "The Hundred American Fortunes," and who led the vanguard of American development, there comes the college trained, career executive, graduating from level to level and department to department in the corporation hierarchy. Ambitious, power-seeking he may be—but only to find, in modern business, that when he has achieved his ambition, and takes control, the great corporation moves by momentum in predestinate grooves—that he is a motorman, not an emperor. Professor Newcomer, writing from Vassar, has little use, however, for impressions or descriptive social history; she is the scientist, pinning her subject to the board by statistics. She compares a representative sample of executives of 1900, 1925 and 1950 according to their identifiable attributes—social and racial origin, father's profession, education, age of starting work, stock ownership, even professed religion and so on; and she reduces the changes over fifty years to neat percentages. The result, however, simply confirms a general impression widely held, and valid in Britain as well as in America: managers are replacing business men, as private companies become production units in "the private sector."

Just how rapidly the old type of entrepreneur, the head of the family firm, is being superseded by the new type is shown with precision in this careful statistical study. The trend is roughly as follows. The American big business man is increasingly a "company officer," bred in the organisation he ends by leading; he tends to hold more outside directorships than he did in 1900 or 1925; he is less likely to have got his start because his father ran or owned the firm than in 1925 but more so than in 1900; he is a little less likely to have come from a wealthy or well-off family, though wealth still tells heavily in his favour; he is far more likely to have been to graduate school or college; he

is much less likely to have got where he is by creating the firm, much more likely to have been helped by his success in another firm, and most likely to have got where he is by working up in the firm. He is far less likely to have started work before he was 20 than in 1900; he is more likely to have been an administrator than an engineer, an engineer than a lawyer; he is most unlikely to have been an entrepreneur or capitalist as he would probably have been in 1900; he is more likely to have come from the production than the sales side. If he is a retiring vice-president, he has served about seven years and is 59 years old; he will retire at 67; he will have risen to a salary of between \$50,000 and \$100,000 though he has a big chance of more; he is probably an episcopalian or presbyterian and votes Republican.

These are the broad trends of a mass of detailed statistics, divided up by industries and sizes of firm, disclosing results sometimes surprising, often what one would expect—and the whole rounded off by a useful essay on the "professionalisation of business." It tells all that figures can; it is a surprise to realise that it really does not tell us what sort of a man the big business man is at all. The statistical mesh is too big to catch his soul—or even his psychology.

Adapting Diplomacy

FOREIGN POLICY AND THE DEMOCRATIC PROCESS.

By Max Beloff.

Johns Hopkins Press. London: Cumberlege. 134 pages. 15s.

THEORIES of diplomacy are under adaptation in the mid-twentieth century: adaptation to what? To the limitations of democratic government or to the changing relationships of nations to one another? The successive states of conflict, dominating the diplomatic history of the last twenty years, between the relatively free western world and two authoritarian systems tended for a time to focus attention on the advantages which a dictatorship is supposed to enjoy in diplomatic manoeuvre—ruthlessness, speed and immunity to public opinion, together with those advantages of secrecy and perseverance which Tocqueville recorded as long ago as 1835.

In his four lectures delivered at the Johns Hopkins University eighteen months ago, Mr Beloff pursues this by now familiar examination a stage further, to a point at which he shows it as "a curious illusion" to suppose that modern totalitarian governments do not suffer from the disabilities that hamper the diplomacy of democratic leaders. Absolute and democratic governments alike can only have the foreign policy for which they are prepared to pay. Each has exemplified in recent times, and sometimes in a glaring form, the faults classically attributed to the other: thus, the United States government has laid traps for itself by relying exclusively, in some vital matters, on the information

which its leaders wish to hear. Soviet diplomacy, Mr Beloff surmises, does not enjoy the advantage of the empiricism which the Russian rulers bring to their domestic problems: blinded by ideology, it mistakes the intentions of foreign countries and misjudges their capacities.

Mr Beloff is concerned primarily on this occasion with American foreign policy and its conduct. But his inquiry leads him to two questions of the most general bearing. What is to be the future form of national conflicts, and what their future weapons and techniques, when the nuclear weapons have removed (if they have removed) the sanction of total war? The question is posed, not answered; after indicating a vast field of uncertainty he turns aside to examine another development of today, the urge (or the pressure) towards supra-national communities: "Modern societies tend towards interdependence, while their institutions, particularly their representative institutions, are designed for self-sufficiency." From this simple principle he derives some lessons for American diplomacy in western Europe, which neglected to apply to foreign countries a rule that would be axiomatic in the United States: a major political change (such as is implied in European integration) cannot be produced by bargains between governments alone, but requires "effective popular support elicited by constitutional processes." These lectures are a valuable further stage in a debate to which no end is in sight.

Books Received

THE ANNUAL REGISTER OF WORLD EVENTS: a review of the Year 1955. Edited by Ivion Macadam. Assisted by Hugh Latimer. Longmans. 526 pages. 105s.

POCKET SUGAR YEAR BOOK 1955. *The International Sugar Council*. 96 pages. No price given. PROCEDURE OF THE CONSULTATIVE ASSEMBLY: third edition. Council of Europe, Strasbourg. London: Her Majesty's Stationery Office. 318 pages. 10s. 6d.

THE MINING JOURNAL: annual review 1956. *The Mining Journal*. 324 pages. 7s. 6d.

THE CULTURE AND MARKETING OF TEA: second edition. By C. R. Harler. Oxford University Press. 274 pages. 25s.

EDUCATION IN GREAT BRITAIN: second edition. By W. O. Lester Smith. Oxford University Press. 210 pages. 7s. 6d.

THE ADMINISTRATION OF HEALTH INSURANCE IN CANADA. By Malcolm G. Taylor. Oxford University Press. 284 pages. 40s.

PRODUCTION AND EMPLOYMENT IN THE METAL TRADES: the problem of regularisation. Published in the United Kingdom for the International Labour Office, Geneva, by Staples Press. 127 pages. 7s. 6d. \$1.25.

ANALYSIS OF MARINE AND OTHER INSURANCE CLAUSES: Seventh edition revised. By Victor Dover. Witherby. 534 pages. 42s.

UNITY IN DIVERSITY: A review of electoral systems. By G. van den Bergh. London: Batsford. Holland: Samson N.V. 97 pages. 18s.

Letters to the Editor

Kashmir and Goa

SIR—Miss M. da Silva presented persuasively the Portuguese case in her letter of June 16th. Her case would, however, be even more persuasive if she could give a satisfactory answer to the following questions:

1. How can she be so certain that the majority of Goans feel themselves to be Portuguese, since there is no freedom of self-expression in Goa any more than in the Portuguese "motherland" itself?

2. Is there any compelling reason why a Goan Catholic should want to remain under Portuguese rule, particularly in view of the fact that in India Christians enjoy the rights of full citizenship?

3. If Goans feel themselves as foreigners in the Indian Union, why are Goans settling in large numbers there?

According to Miss da Silva the Goan problem reveals Mr Nehru's two faces. But what about the two faces of Dr Salazar: one of the devoted Catholic trying to invoke the support of the "super-national" Church in the pursuit of his territorial claims; the other of the ultra-nationalist, brushing aside even the mildest criticism from Vatican sources warning against Portuguese intransigence over Goa?—Yours faithfully, London, N.W.1 GEORGE A. FLORIS

Cyprus Out of Date

SIR—Your interesting review of my book "Cyprus Challenge" in your issue of June 16th ends with the sentence: "But the cold fact is that, Greek emotionalism apart, Cyprus never at any time formed part of a Greek state." I shall not here recall the period when there were Greek city states in Cyprus, because I wish to draw attention especially to the rest of the sentence, which goes on (my italics):

and, despite Mr Arnold's Enotist friends, the culture of the Island today is not Hellenic but Byzantine.

Although poetic licence might permit us to say that the Byzantine empire began in York, it is difficult and rare for those reared west of Ravenna to realise the vastness, the duration and the continuing influence of an empire which has vanished. True, the Byzantine empire vanished almost exactly five hundred years ago, under the Ottoman onslaught; but it had lasted, with its final vicissitudes, more than one thousand years, long enough to leave some consequences. It was, surely, in the Byzantine empire, as it became less and less Roman and more and more Greek, that, until the final dissensions, Greeks (with their old city states long vanished), found their expression, their glory and their villainies. All that lasted a long time and

over a wide area. Today, Byzantine culture does not divide the Greeks, it unites them. Without it they might have perished completely.

Cyprus is today strewn with signs of that Byzantine culture, of which the Church, although even older, is the most conspicuous. To say that Cyprus is more Byzantine than Hellenic is debatable, may be an over-statement, may even be a misstatement. But the last thing it does is to confute Enosis. To point to the Byzantine culture in Cyprus is to point to one of the island's strongest links with all Greece and all Greeks.—Yours faithfully, Percy Arnold Westerham, Kent

Disquiet Over Kenya

SIR—The danger in Kenya is that, should the local electorate be unable to solve the vast problems immediately ahead, this must not only ruin a potentially prosperous country, but might well hole the British Commonwealth. The Kenya settler has done magnificent constructive work and should be able to look confidently into a future where his place as a farmer is assured. Unfortunately, pioneers and statesmen seldom flower on the same tree.

Two points need stressing. First, the late Lord Delamere's dream of a White Dominion has taken deep root. Lord Delamere is the only outstanding white personality in Kenya's history and such men leave their mark. Secondly, Kenya settlers have for many years received much unfair criticism from home which has had the effect of hardening their hearts.

Is it not time that the home government, realising its responsibility in opening up Kenya to white settlement, undertook the political education of the white electors? It does seem curious that, through the British Council, vast sums are spent in explaining Britain's ideals and practice to foreigners, whilst we stand superciliously watching our own people charging at a precipice without trying to turn them. Particularly as when we (for I belong to Kenya) go over the precipice, the already shifting ground on which Britain stands may well crack.—Yours faithfully, Philip S. Mumford Minehead

The New Oxford College

SIR—May I correct one small factual error in your paragraph of last week? It is St. Antony's College not Nuffield College that has a few undergraduates. This college was designed as, and will remain, purely post-graduate.—Yours faithfully, Max Beloff Nuffield College, Oxford

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.

Court in Politics

FROM A SPECIAL CORRESPONDENT

FOR the last four months the United States Supreme Court has been under a mounting barrage of attacks in Congress, in the press and among the public from those who feel strongly that the internal security of the United States is menaced by a pervasive domestic Communist conspiracy. Indeed it would appear from these attacks that the Republic has been saved only by the court's timely adjournment for its summer recess. Bitter and violent criticism is no new experience for the present Justices, who for the last two years have been living through the southern reaction to the decisions on Negro education. This censure continues, although there have been no important new decisions on race relations during the term which has just ended. But the court's more recent decisions on sedition, subversion and national security have given the southern critics of its rulings on desegregation in schools allies from all parts of the country.

On these subjects, in contrast to the school decision, the court has been unable solidly to present a unanimous front. It is inevitably concerned with major political issues and the major issue of the last few years has been how to reconcile the idea of freedom with the pressures of a cold war. While Justice Reed has continued this term to form the nucleus of a wing, which usually includes Justices Minton and Burton, that pays high regard to the convenience of government, the main surprise has been the alignment of the new Chief Justice, Mr Warren, with Justices Black, Douglas and, more often than not, Frankfurter, men who have always given a high value to individual freedom. The remaining two, Justices Clark and Harlan, have wavered uncertainly between the two wings, ensuring that first one and then the other prevailed in a series of split decisions.

The judgments which have brought down the new rain of abuse have been few in number and relatively unspectacular. On its first Monday of decision in April, the court reversed the conviction of Mr Steve Nelson, a Communist party organizer, under the Pennsylvania Sedition Act, a state counterpart of the federal Smith Act. The court found that the Pennsylvania Act was unconstitutional, not because it conflicted with the federal constitution itself, but because Congress, in approving the Smith Act, intended to prevent the states from punishing seditious activity against the federal government. This decision outlaws anti-sedition legislation on the statute books of forty-two states, but its effect is mitigated by three factors: prosecutions under state laws of this kind have been relatively

infrequent in recent years; prosecutions would still be in order under state laws punishing sedition against the states themselves; and Congress can and may shortly overturn the court's decision by a statute specifically authorising the states to share the responsibility—and the glory—of pursuing subversives.

A week after handing down the Nelson decision, the court ruled on the case of a professor in a municipal college in New York who had been dismissed automatically because he refused to answer a question put by a congressional committee, relating to his official conduct, on the constitutional ground that he would incriminate himself if he replied. The court's order for his reinstatement was roundly denounced on the floor of Congress as gross interference with the city's control over its employees. But what the court decided was only that the mere plea of self-incrimination was not sufficient justification for his dismissal; the city was required to examine his status independently before discharging him. Three weeks later, the court sent back to the Subversive Activities Control Board, for reconsideration, a proceeding against the Communist party under the Subversive Activities Control Act, which requires so-called Communist-action organisations to register with the board. The case was sent back because of doubts cast on the testimony of three witnesses before the board, including the notorious Mr Matusow, by revelations about their conduct as professional informers. Nevertheless, the court was criticised for temporising at a most critical time in world history. Finally, on its last decision day in June, the court limited the operation of the government's security programme to so-called "sensitive" jobs, but it did so again by construing the intention of Congress as expressed in a statute, and not by invoking constitutional prohibitions.

★

The court is always hesitant, and understandably so, to strike down a congressional enactment as unconstitutional. Since the great legal battle of the mid-thirties, when the entire legislative programme of the New Deal was subject to attack on constitutional grounds, the court has seldom exercised its ultimate power. This year, however, it did exercise that power, when it intervened in the dramatic case of an ex-serviceman who was seized by the military police from his job in a Pittsburgh steel foundry, and whisked off to Korea to stand trial by court martial for a murder he

bad allegedly committed while on military duty there. The court held that the applicable provisions of the code of military justice were inconsistent with the constitutional guarantees of trial by jury, but the decision, although drastic in form, was not in fact controversial, largely because of the heavy-handed policy pursued by the military.

To a large extent the court decides for itself which cases it will hear. On most questions there is no absolute right of appeal to the highest tribunal, and fewer than one in ten of the petitions filed with the court are permitted to be argued on their merits. In the regular weekly stint this term were ten tax cases, six of them construing the federal internal revenue code, and four dealing with the taxing powers of the states; thirteen cases involving other aspects of government regulation of business; fifteen labour cases, most of them interpreting the complicated federal machinery for regulating the collective bargaining process, and a miscellany on such matters as Indian rights, copyright, eminent domain, and the technicalities of federal judicial procedure.

In very few of these cases did the court break new ground. In the only major anti-trust case of the term, concerning the Du Pont Company's alleged control over the output of cellophane, a good deal of the ground was cut from under the positive anti-monopoly policy infused into the Sherman Act since the end of the war; the decision defined the market in which monopoly had to be proved to include not only that for cellophane itself but also for a variety of competing substitutes.

But by far the largest single group of cases (twenty-seven) deal with the guarantees afforded by the Bill of Rights, chiefly the procedural guarantees for persons accused of crime. In a number of these, the court rejected the claim of constitutional protection. Notably, it affirmed the constitutionality of the Immunity Act, which permits Congress to compel a witness to testify in exchange for a guarantee of immunity from prosecution, even where self-incrimination is involved. It found no constitutional, or statutory, objection to the use of confidential informers in certain phases of the deportation procedure where discretion has by statute been vested in the executive branch of the government. And it found no substantial constitutional question in the decision of the California Supreme Court that employment contracts with a Communist may be abrogated on grounds of public policy.

The court will face new challenges at the outset of its next term, one of them involving the question of whether mere membership in the Communist party may in itself constitute a crime. By next autumn, the clamour over recent decisions should have abated, and the Justices may feel more free to follow, if not to lead, in the slow reinvigoration of constitutional guarantees.

Winged Victory

THE foot which Mr Charles Wilson, the Secretary of Defence, once again put into his mouth last week kicked the Air Force straight into a higher income bracket. By calling the Senate's attempt to add about \$1 billion to the Air Force's appropriations for the coming fiscal year a "phony," Mr Wilson annoyed that easily-insulted group of legislators so much that the addition became a certainty.

The resentful Republicans virtually abandoned the attempt to hold the increase down to the \$500 million which the Administration had reluctantly agreed to accept. The Senate then approved a total defence appropriation of \$34.7 billion, \$1.1 billion more than had been voted by the House of Representatives and \$600 million more than the President had asked. Cuts elsewhere offset part of the extra \$960 million given to the Air Force which, if the Senate has its way, will now have about \$17 billion for the 1957 fiscal year, as much as the two other services put together.

The additional money is to be spent almost entirely on B-52 intercontinental bombers and the Air Force's victory is a tribute to the effectiveness of its spokesmen. For weeks they have been telling a committee headed by the Democratic Senator Symington that the United States is lagging dangerously behind the Soviet Union in the development of long-range aircraft capable of delivering hydrogen bombs. It will be interesting to see whether General Twining, the head of the Air Force, reinforces this argument when he returns from his present visit to Moscow. There is still a possibility that the House of Representatives may not accept the increase in funds voted by the Senate. In any case, although the President has said that he will not actually refuse the extra money, he cannot be forced to spend it. Indeed, he will not be able to spend it if it is true that, as the Administration claims, the output of B-52s is already being stepped up as fast as is practical.

The real objection to this week's move is not that additional funds are to be provided for the Air Force but that they are to be provided at the expense of America's allies. Before the week is out, the Senate is expected to cut the sum requested for foreign aid by almost exactly the same \$1.1 billion; since the House has already made a similar cut, there will be no chance of restoring the funds in conference between the two groups. Whether or not all this helps the defence of the United States, the Democrats are sure it will help them next November. Not only will they have gained prestige by punching holes in two of the programmes with which the President himself is most closely associated, but they will please the voters who are thought to be even more anxious to spend more on their own Air Force—largely as the result of Senator Symington's propaganda effort—than they are to reduce spending for the benefit of other countries.

Medicine Men

JUST now, millions of Americans would do rather well in an examination for a degree in gastro-enterology with special papers on terminal ileitis and regional enteritis. Each hour has been bringing a new interview with yet another eminent physician and detailed anatomical drawings illustrating President Eisenhower's internal affairs have been spread wide over newspaper pages and flashed on a million television screens. But although most Americans now realise that the President's health is uncertain, the latest Gallup poll suggests that 73 per cent of all potential voters still believe that Mr Eisenhower will stand for a second term and that 67 per cent wish him to do so. The categorical statement by outstanding medical experts that

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Unhappy Chandler

Washington, D.C.

BY naming Mr Lawrence Wetherby as the Democratic candidate for the late Mr Barkley's seat in the Senate, the central committee of the Democratic party in Kentucky has served notice that it will offer no quarter to the Governor, Mr "Happy" Chandler. This, perhaps, is rough justice, since the central committee is controlled absolutely by Senator Earl Clements, whose career Governor Chandler cheerfully promised to ruin at the time of his own triumphant return last August. The Republicans, who, with the present knife-edge balance of power in the Senate, could do with every seat they can pick up, would feel happier about the state of this celebrated feud if their most redoubtable champion, Mr John Sherman Cooper, were in the field.

Although Kentucky is normally run by the Democrats, who invariably swamp the state legislature, there are two Republican strongholds: a part of the south-eastern mountain area which remained loyal to the Union in the Civil War and the city of Louisville, where a midwestern urban conservatism has impinged on the older conservatism of the South. A Republican candidate for state office normally polls between forty and forty-five per cent of the vote, but in some years factional fights among the Democrats can be exploited to secure temporary Republican successes. Mr Cooper has twice been elected to the Senate for short terms in this fashion. But no other Republican approaches his popularity throughout the state and his party's chances have been dimmed by his announcement that he will finish his job as Ambassador to India rather than try to regain the seat he lost to Mr Barkley in 1954.

It was doubtless with this in mind that Senator Clements and Mr Wetherby decided that they could afford the luxury of ignoring the last-minute overtures of the deflated Mr Chandler. The dramatic reversal of fortunes since last August, when Mr Chandler seemed to hold Kentucky in his hand after routing the "political machine" of "Clementine and Wetherbine," is thoroughly typical of his melodramatic career. In a state famous throughout history for its feuding, mud-slinging has now for the most part replaced sharp-shooting. By all consent Mr Chandler is the best mud-slinger of them all. Loud and gregarious, several times larger than life, he has had Kentucky in an uproar for the last twenty years. Despite recent economic advances there are few states with more disease, illiteracy and downright poverty. For dispirited folk in drab conditions a Chandler campaign is a splendid circus.

Mr Chandler's ambitions have been boundless and his pace hectic; a state Senator at thirty-two and Lieutenant Governor at thirty-three, he could not wait for the ordinary course of advancement. In 1935 he attacked the official Democratic candidate for Governor in the primary election and won. Then he tried to use the Governorship to break into the Senate at the expense of the incumbent Democratic Senator, Mr Barkley. After a brutal campaign, in which scandalous stratagems were used on both sides, Mr Chandler was badly beaten. Everyone thought he was finished, but a year later, in 1939, the other Democratic Senator died and Governor Chandler appointed himself to fill the vacancy.

Once in Washington, Mr Chandler's thoughts turned to

the recurrence of ileitis "is distressingly high" has been met with equally categorical denials from the bevy of doctors hovering around the President's bedside. The whole spectacle of physicians issuing contradictory statements in a highly political context is lamentable, but it seems to have left the average voter unmoved.

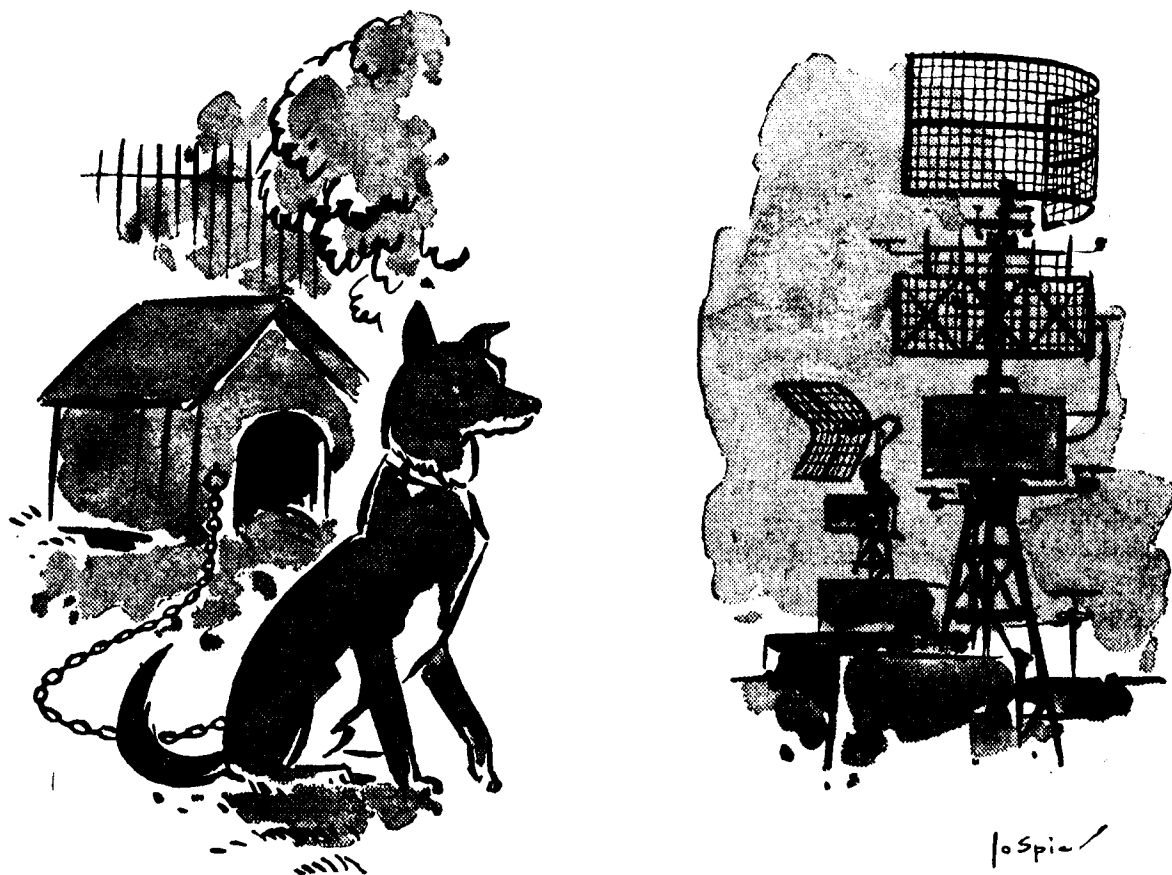
The Administration and the Republican organisation, moreover, are doing a brilliant sleight of hand to convince all and sundry that Mr Eisenhower's "bellyache" is over. Vice President Nixon called on the President and revealed coyly that he had discussed with him a national conference on the Physical Fitness of American Youth. Mr Eisenhower also signed a number of Bills, telephoned to Mr Dulles and accepted one resignation. But above all, he conferred with his chief Assistant, Mr Sherman Adams, about arrangements for the Republican national convention

"I Feel Fine, Doc. I Just Want an Analysis of the Political Situation"



which will open in San Francisco on August 20th. This, more than anything else, was interpreted as a strong sign that Mr Eisenhower had made up his mind to run again. Even though the President himself has said nothing whatever, Mr Leonard Hall, chairman of the party, does not admit to "the slightest doubt" that the names of Mr Eisenhower and Mr Nixon will once again stand on the ballot.

Less partial observers are not so sure. The President has had to put off the vital talks with Mr Nehru scheduled to begin on July 7th; on the other hand his fiesta with the heads of other American republics in Panama has only been postponed to July 21st. But according to his press secretary, the President has been reading the papers. These informed him that insurance firms will grant life insurance to victims of a heart attack followed by ileitis only under exceptional circumstances. This is a fact which Mr Eisenhower may be pondering over more seriously than is Mr Hall.



P R O T E C T I O N

SCHLUMBERGER
THE OIL MAN'S
PROTECTION.

the Vice-Presidency. Although he had been the chief amateur critic of Mr Roosevelt's war strategy in the Senate, he convinced himself in 1944 that he was the inevitable running mate for the President. His mortification at being passed over for Mr Truman was intense and, being bored with the Senate, he accepted as a consolation prize an invitation to become Commissioner of Baseball, a job involving the supervision of the national sport and the eating of many banquets.

By all the rules Mr Chandler's political career was then over. While he was running baseball Mr Clements, first as Senator and then as Governor, and his chief lieutenant, Mr Wetherby, who succeeded him as Governor, were running the state. Their competent, rather unexciting regime would have continued indefinitely but for the owners of the professional baseball teams, who tossed Mr Chandler out of his commissionership and back into Kentucky politics.

Last year he repeated his old tactics by swamping in the primary election the colourless judge whom the party leaders had put up for the Governorship. Unfortunately for his reffloated reputation, Mr Chandler had vowed to bring about the defeat of Senator Clements, who was due to seek renomination this year for a further term. More imprudently still, Mr Chandler had committed himself to Mr Joseph Bates, a disgruntled former Congressman, as the instrument of his revenge. Last month Mr Chandler struck by proxy and failed to kill. Either because Mr Bates lacked the necessary magic or because the Governor's own lustre had been tarnished by the need to ask for fresh taxes, Senator Clements won renomination by a handsome margin.

★

Governor Chandler was therefore not well placed when Senator Barkley's death ensured that both Senate seats would be at stake in November. As Governor he had the right to name a replacement until election time but, since it was too late to hold a primary election, the selection of a Democratic candidate for November fell to the central committee, which is dominated by Senator Clements. Mr Chandler's only hope of saving face was to propose that, in the name of party unity, he appoint and the committee endorse the same person, who would thus gain a little extra seniority in the Senate.

With a flash of the old optimism Mr Chandler last week appointed his own campaign manager, Mr Leary, apparently under the impression that the committee might accept him. Next day the committee brought him down to earth by unanimously nominating his old enemy, Mr Wetherby, whom he had lambasted from one end of the state to the other. Mr Leary returned the "empty honour" of being a Senator for six months to Mr Chandler, who passed it on to another of his followers, Mr Humphrey. In this bitter frame of mind the two sides are now frantically lining up support for the party in the national convention in Chicago and will also name a new central committee to run the state party during the next four years.

For Mr Chandler this fight is crucial. He is convinced that if he goes to Chicago at the head of a delegation loyal to him he will stand an excellent chance of the nomination for the Presidency in the event of a deadlock. This is a view shared by no one else. But, even apart from this fantasy, control of the party machinery is a serious enough

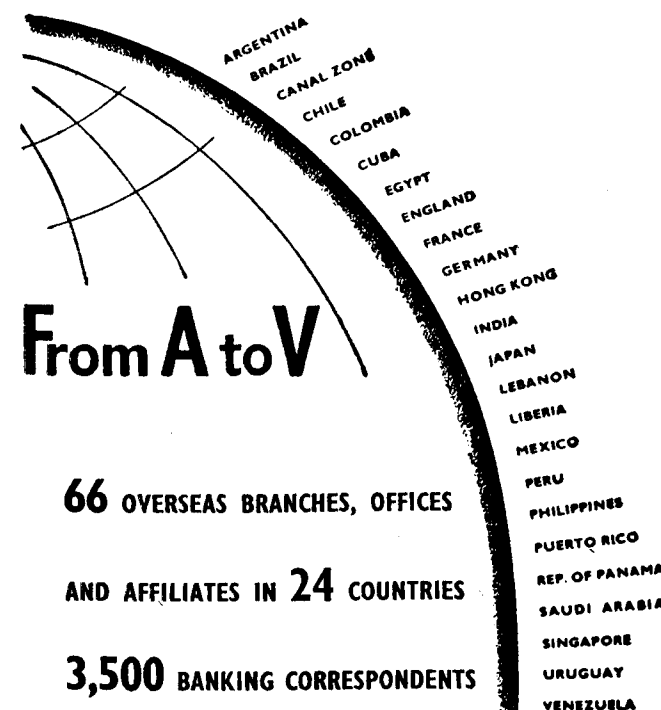
stake. For all the setbacks to his prestige, the Governor's strength among the party workers in the counties should not be underestimated, for his office enjoys substantial powers of patronage.

However much they hate him, the leaders might be unwise to handle Governor Chandler too roughly. The Republicans have named one fairly strong candidate to the Senate, Mr Thruston Morton, a former member of Congress and recently an Assistant Secretary of State, and they are waiting before naming the other until the Democratic state convention is over. If this turns into a Donnybrook it could conceivably be a Republican year in Kentucky, even with Mr Cooper away in India.

Motorists' Promised Land

BY the end of this week President Eisenhower is expected to have signed the Bill to give the United States a national system of superhighways fit for the age of the automobile, with all the savings in time, money, temper and lives that this implies. By 1969 the motorist should have a wide choice of free coast to coast and north to south express highways linking all the major cities. With the minimum of traffic lights and from four to eight lanes for cars, these will provide the maximum in speed and safety. The federal government, which up to the present has only matched the spending of the states on roads, will provide \$25 billion, 90 per cent of the \$27.7 billion needed for the new interstate system; it will also step up its contributions toward subsidiary roads. The total spending authorised by the Bill is \$32.8 billion over the next thirteen years. In fact, because the federal contributions toward interstate roads cover only those for the first three years, the final figure is not likely to be very different from the \$52 billion originally proposed by the House.

This creates, as Senators exultantly noted, "the largest public works project in the history of the world"—one many times more costly than any of the New Deal schemes. The prospect of increased federal spending on roads already has helped to lift the estimates for construction this year to a record level, despite the fall in home-building. If harder times lie ahead, it might provide a substantial cushion for the economy. Moreover, Americans take pride in the insistence of Congress that new taxes on road users, estimated to bring in \$14.8 billion by 1972, should accompany the spending authorisation. This display of financial responsibility, so commendable in an election year, may well have been carried too far, with the adoption of a Treasury-sponsored provision which limits disbursements in any one year to the amount of money in the highway trust fund in which the revenues from both old and new taxes on motorists are to be segregated. Because the new taxes are to be collected over sixteen years, while the plan is to complete the interstate system in thirteen, deficits are likely during the nineteen-sixties and may apply an unwelcome brake to the scheme. However, this provision, like the formula for allocating funds among the states, which inevitably causes heartburning, may be subject to alteration later on.



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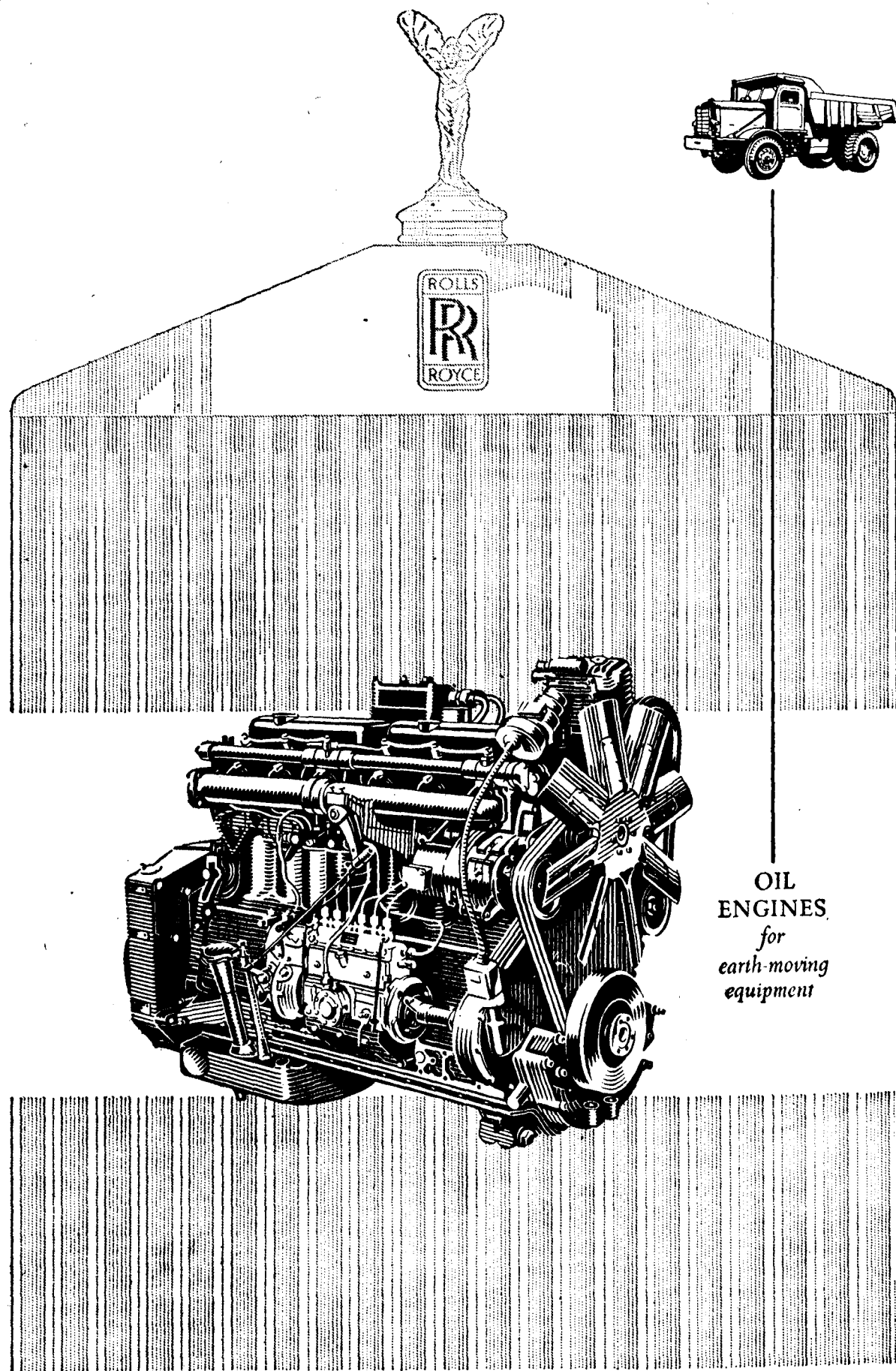
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Third Party Liabilities

Washington, D.C.

IN a round robin letter to southerners in Congress, Governor Bell Timmerman, of South Carolina, has proposed that Democratic state conventions in the South should "stand in recess" until after the national convention has picked the party's presidential candidate and drafted the platform on which it will go to the country. This was precisely the procedure that was followed when the Dixiecrats bolted from the Democratic party and ran their own presidential candidate in 1948. Recipients of Mr Timmerman's letter could, therefore, be forgiven for thinking that what he had in mind was the formation of a third party. All the Governor has had for his pains, however, is an immediate and hostile response from Senator Kerr Scott, of North Carolina, followed by a magisterial rebuke from Senator George, of Georgia.

Although the South deeply resents the attitude of northern liberals on the whole question of race relations, disloyalty to the national Democratic party has never been popular for long anywhere outside South Carolina. In the past, such disloyalty has taken two forms. In 1948 there was the third party, the "Dixiecrats"; in 1952 several leading Democrats openly backed Mr Eisenhower. But this year in Alabama, the only state which kept Mr Truman's name completely off the ballot in 1948, all candidates for delegate to the Democratic national convention had to take a pledge affirming that they would abide by its decisions. Moreover, in Florida and Mississippi, two former Dixiecrat Governors—one of them the organiser of the Dixiecrat convention in 1948 and its vice-presidential candidate—sought re-election and were utterly defeated.

★

Of President Eisenhower's three leading Democratic supporters in the South in 1952, only Mr Byrnes, of South Carolina, now retains any influence; though in retirement, he acts through his handpicked successor, Governor Timmerman. Mr Shivers, the Governor of Texas, has lost control of the party machinery and of the Texas delegation to the loyalists. Mr Kennon, the Governor of Louisiana, tried to determine his successor this year, but his candidate ran a bad third to Mr Earl Long, brother to the late Huey Long; Mr Long is completely loyal to the party and is in many respects a liberal.

One of the strongest reasons why southern Democrats remain loyal to the national party is that little would be accomplished by disloyalty. The historical dream of a third party is to deny an absolute majority of electoral votes to any presidential candidate, so that the presidential election would be transferred to the House of Representatives; a third party could then hope to hold the balance and exact its own terms. But most people expect that (unless, of course, he has to withdraw) President Eisenhower will have a large majority anyway this year, so there does not seem much point in further weakening the Democratic vote.

Moreover, as Senators George and Scott quite plainly inferred, the South obtains great practical advantages in terms of government contracts and patronage when the Democrats are in office. Finally, since the chairmanships of congressional committees are allotted by length of service,

and since southern Democrats tend to stay in office once they have been elected, they enjoy virtual veto power over unwelcome legislation when their party has a majority in Congress. This advantage would be forfeited by disloyalty or continued threats of a walk-out. For as southerners in Congress are well aware, liberal Democrats are itching for an excuse to get rid of some of their more reactionary leaders, and thus to clarify the distinction between Democrats and Republicans.

Red List for Blackmail

THE massive "Report on Blacklisting," issued this week by the Fund for the Republic, sheds a lurid light on the inroads which McCarthyism made into the American entertainments industry. A world is revealed that was a mixture of Alice in Wonderland and the Inquisition. There, former members of the Federal Bureau of Investigation, a concern called Aware Incorporated, anonymous "talent consultants" and a host of informers and private citizens took it upon themselves to determine whether an actor, a director, a dancer, a musician or a film star had the right to earn his or her living. The criterion was whether or not the individual in question had ever been tainted—in however remote and insubstantial a way—by the brush of Communism or "subversion." Through publications with such melodramatic titles as *Red Channels*, *Counter-Attack* and "File 13," self-appointed guardians of the American way of life stigmatised several hundred directors and artists with frequently unfounded allegations of disloyalty. And what is worse—the corporations which finance television and radio programmes meekly submitted to this blackmail.

As the Fund for the Republic has shown in its careful study, blackmail is what it was: for a suitable fee, an unfortunate actor or ballerina could often get "clearance" papers from one of the accusers and thus obtain re-employment. Only the theatres on Broadway had the courage to hire people on their merits. But the film industry was particularly vulnerable to witch-hunting because actors, producers and script writers—many of them refugees from Germany—were active anti-fascists in the nineteen-thirties and because many of them continued to display sympathy for the Soviet Union during the war. Unquestionably there were Communists in Hollywood; between 1951 and 1954 congressional investigators named 324 persons as possible subversives and of these 212 were active in the film industry. But as "Report on Blacklisting" shows, their influence on the content of films was negligible and, as Mr Ustinov would put it, most of them merely sent a food parcel to the wrong side in Spain.

As the Fund for the Republic would be the first to admit, matters have improved during the past year or so and it is no longer necessary to be a full fledged "fighter against Communism" in order to be allowed to sing a commercial. Moreover, the radicals are fighting back and last week one of them captured the very citadel of Americanism: while being questioned by the Congressional Committee on Un-American Activities, Mr Arthur Miller, the well-known playwright, admitted that in the past he had "supported" a number of dubious causes. But he then announced that in the future he would help to support Miss Marilyn Monroe.



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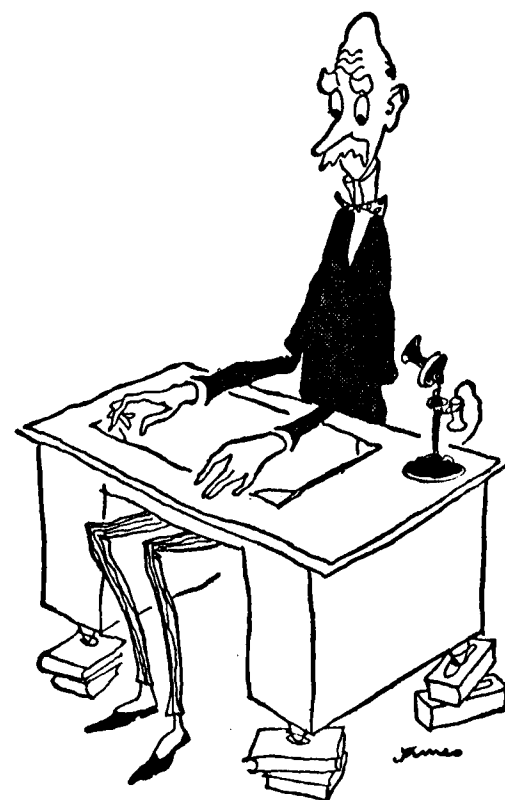
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Jugoslavia Rides High

FROM OUR SPECIAL CORRESPONDENT IN BELGRADE

THE marble halls and crimson carpets in the offices of the Communist central committee of Yugoslavia do not provide a particularly suitable setting for the huge murals of bloody revolutionary struggles on the walls; but they do justice to the ebullient self-confidence that Yugoslavia's rulers enjoy today. Among many ordinary people, however, President Tito's visit to Russia has provoked quite opposite feelings. Last year they feared the consequences of the Russian visit to Belgrade, but fear tended to be driven out by other emotions—surprise, gratification, and amusement at the clownish performance of the Russian visitors. Today, the formal resumption of party relations between the Soviet and Yugoslav communists has revived apprehension. Although it would be difficult for the Yugoslavs to turn the clock back when they are urging everyone else to turn it forward, these fears are understandable.

But, for the men at the top, this is their hour of triumph, however much the West may reproach them with falling for the Soviet line on Germany, and however much they may privately suspect that the Russians are trying to lead them further than they are prepared to go. Marshal Tito's tour of Russia has proved even more triumphant than was expected—and the expectations were not low. The Russians have spelled out in detail their admission of last year that there are different roads to socialism. They have also accepted Yugoslav views on how inter-party relationships should be regulated. These are to be equal, frank, allowing full freedom of action, and "accessible to world public opinion"; in other words no more one-sided anathemas are to be concocted behind closed doors as in 1949.

Moreover, by implication the Russians concede that they, too, may have something to learn from Yugoslav experience. To the Yugoslav communists this is obvious. The Russians may have torn up their misleading Stalinist textbooks and gone back to the Leninist primer; but Lenin wrote nearly fifty years ago, and although he remains a fundamental source of communist thinking he is out of date. Yugoslav communists believe that they are successfully adapting him to modern conditions, and that they can teach the Russians—and the Czechs, the Poles and the rest—a thing or two about this. They believe that a process of change has started in Russia. It has not yet gone far enough, but it cannot now be reversed, and they feel a crusading urge to point the way ahead. President Tito has lost no time in inaugurating close contacts with the east European communists. During his visit to Bucharest on his way home, the Yugoslav and Rumanian parties agreed to establish "comradely co-operation"; President Tito defined this as "mutual, moral,

political and cultural, as well as material, assistance." And on Wednesday, when he reached Belgrade, he administered a rap over the knuckles to those east European leaders who fear that their prestige may suffer from a *rapprochement*.

The missionary fervour of the Yugoslav communists is turned inward towards the communist world. With the rest of the world they simply want to keep on good terms. It is significant that Mr Khrushchev's strictures in the Dynamo Stadium at Moscow on the nature of the West's friendship for Yugoslavia were not published or broadcast here; and that the joint communiqué on party relationships nowhere mentions "the socialist camp." The Yugoslavs have not abandoned their dislike of blocs—even though they owe their singular position largely to the existence of two rival blocs. They are developing far-reaching, and perhaps far-fetched, ideas about co-operation with any and every party that is genuinely working to improve the lot of the masses. In India, for example, they put their money on the Congress party, not on the ineffective socialists or the communists.

They are still ready to admit the dangers of tying their economy too closely to the Soviet camp, although less so than six months ago. But the Soviet bloc is providing cheap long-term credits, and sending essential raw materials in return for non-essential Yugoslav exports which are hard to market elsewhere. The Yugoslavs hope, however, that these exchanges will not go beyond the "normal" level—whatever that may be—and they would like trade to be more multilateral and currencies more convertible.

They still mean what they say about friendship with the West; but they do not seem to realise that it is not enough to be convinced of the purity of their own intentions. The Russians clearly hope to use the Yugoslavs to further their policy of infiltration among democratic socialist parties. The Yugoslavs are convinced that even though they do not pay the Russian piper they can call their own tune. But can they really dance safely on their tight-rope?

When President Tito got back to Belgrade on Wednesday night and addressed the crowds at the station, his words conveyed as much confidence as his brisk bearing and his elegant uniform. But they were obviously directed as much to the West as to his own people, and meant to reassure it about his intentions and the consequences of his policies. He will find it easier to be reassuring about the first than about the second. But it is significant that he should take the trouble to try as soon as he sets foot in his own country again. Perhaps, after all, the Yugoslavs have not yet become completely dizzy with success.

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Ben-Gurion's Free Hand

FROM OUR CORRESPONDENT IN TEL AVIV

THE difficult security position demands complete harmony between the ministries of defence and of foreign affairs. . . . This time this harmony was lacking." These two short sentences from the long speech delivered by Mr Ben-Gurion in the Knesset are the key to Israel's recent cabinet reshuffle. They reveal why so much pressure was brought to bear on Mr Sharett to leave an office which he had long held with distinction.

By "complete harmony" Mr Ben-Gurion means freedom from interference by cabinet colleagues. Although, as was explained in *The Economist* last week, he had never lately been at variance with Mr Sharett on the main lines of foreign policy, it is an open secret that he had more than once been prevented from launching schemes of "active defence" by a cabinet majority centred on the foreign minister. By installing Mrs Golda Myerson in Mr Sharett's place, Mr Ben-Gurion has secured complete freedom of action, for Mrs Myerson has obviously been selected mainly for her loyalty to the prime minister.

Lack of the wanted "harmony between the ministries of defence and of foreign affairs" was forcefully demonstrated last summer, when Mr Sharett was in Washington desperately trying to convince the State Department of the need to offset Soviet bloc arms shipments to the Arabs by supplying Israel with adequate defence equipment. At this very moment, Mr Ben-Gurion ordered the spectacular raid on Syrian gun positions on the eastern shores of Lake Tiberias. If his aim was to assure the fishermen on the lake of a quiet fishing season, he succeeded. But he spiked the guns not only of the Syrians but of Mr Sharett, and furnished an excuse for inaction to all Americans who were loth to ship arms to Israel.

If Mr Sharett had then resigned, he would probably have had the support both of a majority in the coalition and of a wide public, for, momentarily, consternation about the startling action on the lake was widespread. But he preferred to remain loyal to cabinet and party and not to quarrel openly. Mr Ben-Gurion suffers few such qualms. He bided his time and turned Mr Sharett out when he thought the moment had come.

He has gained a personal victory. He won it first in the conclave of his own party, Mapai, where a large number of Mr Sharett's followers abstained from voting when the issue was decided. He then won in the cabinet, where he refused to take his colleagues into his confidence as to why Mr Sharett must go. Finally, he won in the Knesset, where he kept the members guessing as to his intentions, and secured a comfortable majority for the cabinet reshuffle. With the help of the "law of transition" which regulates cabinet changes, he was able to avoid the resignation of the cabinet as a body. He was the strongest man in the government even before he gained his complete control of the foreign ministry, and has played himself into a position in which he can give commands without seeking advice.

The questions every thoughtful Israeli is asking today are why Mr Ben-Gurion needs this free hand now, and how he means to use it? Thoughts turn first to the ever-

present problem of frontier defence. With conditions in Jordan fluid after General Glubb's dismissal, and discipline in the Arab Legion deteriorating, the danger of a flare-up is obvious. Even the lull in the guerilla warfare on the Egyptian front (which is Mr Hammarskjöld's main achievement and is here rated a blessing) is thought to be fragile. Was Mr Ben-Gurion's move made in order to be able to strike a more "activist" note in repelling infiltration? Or is there more to it? Eyes are also turning to the few kilometres in the north where Israel is growing impatient about continued stoppage of work on its Jordan river project—a situation described in an immediately following article. If Mr Ben-Gurion wants to be able to give the green light at this point, he can be sure of fairly broad support; for completion of the project spells big progress in agricultural development, and this has an almost magic appeal in Israel.

The way in which these two issues—frontier defence and the completion of the Jordan channel—are handled may well be decisive at a juncture when things look quiet but are nevertheless so delicately poised that the application of one ounce too much pressure might destroy the balance altogether. Mr Ben-Gurion has gained freedom to apply half-ounces as and where he thinks best. It is significant that he recently told a foreign correspondent that he found the need for constant preparedness "invigorating." He thrives on states of tension.

Speculation as to what course he has in mind centres on these local issues because nobody sees any room for wider political manoeuvre. Israel could not turn exclusively to the East even if it wanted to. Yet Mr Ben-Gurion has more than once proved his ability to spring surprises on the public. There are even people who believe that he acted because he is better able than Mr Sharett to steer a course of restraint, since he can afford to be unpopular.

Enigmas in Israel—II

Timing the Water Plan

FROM A CORRESPONDENT LATELY IN ISRAEL

IT is two and a half years since Israel undertook to stop work on its scheme for diverting half the flow of the Jordan over the Galilean hills and south through the coastal plain into the Negev desert. That undertaking was never intended to be permanent. It was given, in the first place, because the Jordan problem was not immediate. Israel had, at the time, other unexploited sources of water, particularly the Yarkon and the Kishon rivers, which would enable it to carry on with agricultural expansion for about seven years. It was given, secondly, because the United States was toying with the idea of financing a scheme for "the unified development of the water resources of the Jordan valley region"—an idea personified by Mr Eric Johnston, who has paid four visits to the Middle East and begotten three plans since 1953.

For the Israelis, a scheme that realised their prime objective—Jordan water for the Negev—within an international framework, had the political advantage of being a step towards recognition by the Arab states, the physical advantage of being more efficient, and the financial advantage

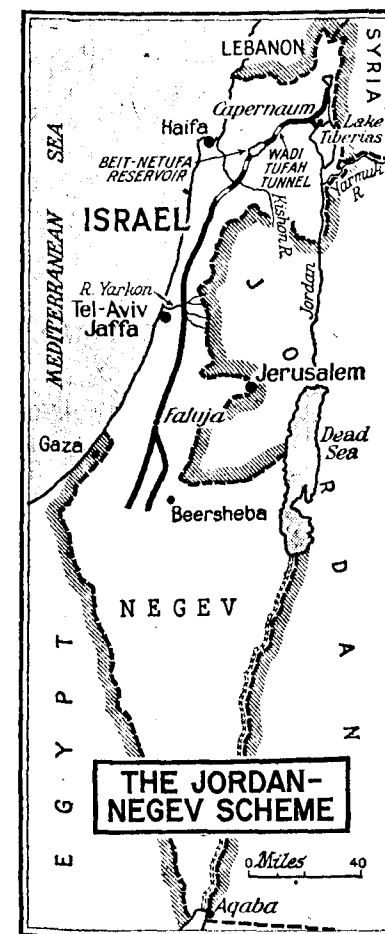
of being subsidised by America. Therefore Israel waited. It had, at that stage, constructed part of the diversionary canal, including two of the three kilometres that run through the demilitarised zone on the Syrian frontier. From the autumn of 1953 until the summer of 1954, no work was done on any part of the Israeli project. Thereafter work continued on parts of the canal south of the demilitarised zone, on the smallest of the tunnels to take the water through the hills, and on one or two local schemes. But over the last three years not more than £3 million has been spent on the main Jordan project. Thus, though the United Nations assumed control only over the demilitarised zone, the Israelis in fact went slow on the whole project—because Mr Johnston asked them to and because it seemed rash to invest in something that might never come off.

Nevertheless, they now propose to start investing,

although Mr Johnston still wants them to delay and the Syrians say, with more precision than before, that they will fire the moment the Israelis start digging in the neutral zone. For the year 1956-57, the Israeli development budget provides £10 million for the Jordan-Negev scheme. The estimates specify that this is to be spent on: (a) completing the section of the canal that will run from the southern end of the zone to a terminal in the hills, already built; (b) starting on the power station that will pump the water uphill and out of its natural basin; (c) constructing the two main tunnels through which the water will pass from a hilltop reservoir into the coastal plain; (d) building a factory to

produce the 108-in. pipes; and (e) cutting the one kilometre inside the neutral zone. For the record, therefore, the Israelis have decided to delay no longer. But they have probably not yet decided the two things that matter: whether they will turn their excavators north into the disputed kilometre; and whether they will part company altogether from Mr Johnston.

The third and last Johnston plan, accepted last summer by Syria, Lebanon, Jordan and Israel at the technical level, but only by Israel at the political level, would have allowed the Israelis to take 40 per cent of the Jordan waters (400 million cubic metres a year) and to use it wherever they chose. Thus the Israelis agreed to less water than they originally claimed, while Mr Johnston (and, in theory but not in practice, the Arab states) conceded the principle,



so vital to Israel, that the water could be taken out of the Jordan basin. (An American survey had shown how little irrigation the soil in the Jordanian sector could support.)

Thus the main construction works which the Israelis contemplate will in fact be necessary whether they operate within the third Johnston plan or outside it; and it is hard to tell which they intend to do. They insist that they have no intention of prejudicing the Johnston plan. On the other hand, their latest "Master Plan" for water (dated December 1955) is ambiguous. Lip service is paid to Mr Johnston; but, if there is to be no international supervision of water withdrawals, there would seem to be nothing to stop the Israelis diverting into their system all the water they can lay their hands on when the pipelines are complete in 1965.

The answer is that Israel could, and probably would, fall in with the third Johnston plan at any point during the next few years; but if no agreement is reached, it could revert to something very like its pre-Johnston scheme without much modification to the construction. It will not, however, be able to implement either scheme unless the two ends of the diversionary canal can be joined in the demilitarised zone. To prevent this is the purpose of the Syrian veto. Will the Israelis defy it? Mr Ben-Gurion refused to give Mr Hammarskjöld a promise not to force the issue. But Mr Hammarskjöld is one thing; western powers, bearing arms, might be another. Israel will not, after all, need that one kilometre immediately. It needs arms and diplomatic support today.

In the long run, however, Israel has to face the fact that all available water, other than Jordan water, will be fully exploited by 1960, and that this will still leave about half the northern Negev unirrigated. Responsible economists say that imports and exports must be approaching balance within the next seven years, when German reparations will be exhausted and American aid speculative. Even on paper, this will only be possible if every acre of the northern Negev is being intensively cultivated by that time. No one in Israel now believes that the southern Negev can be made to blossom like a rose; but they do believe that, with selective cultivation of the northern Negev, Israel could feed a population of 2½ millions by 1965 and produce cotton for an expanding textile industry. As one Israeli remarked: "The idea of reclaiming land in the south is the only guarantee against the idea of expansion in the east."

Indonesian Outlook

FROM A CORRESPONDENT IN JAKARTA

INDONESIA'S first elected government seems to be settling in for a long innings, although it unites political parties which have been wrangling together for more than three years. Pessimists among Indonesian politicians—and many of them have an inclination to pessimism as far as home politics are concerned—thought it barely possible that the Nationalists and the moderate Islamic Masjumi could work together after all that the leaders of both parties had said and done to harm each other's prestige.

It would be an overstatement to say that it is all roses

and raptures among the government parties, but at least they are working harmoniously together and are united in thinking that their first task is to settle Indonesia's relations with the Netherlands. Little, however, has been done so far. A state commission, headed by the finance minister, has been studying the economic and financial consequences of Indonesia's abrogation of the Dutch-Indonesian Union; but no further action can be expected until the Dutch government has been reformed after the recent elections and has settled down again.

Back to 1945

Dutch business interests still control important parts of the country's economy and its communications system. The Indonesian rupiah is still more or less tied to the Dutch guilder; and the larger part of Indonesian exports comes from Dutch-owned plantations. Many prominent Dutch businessmen were at first relieved to hear that Indonesia's special ties with Holland had been abrogated. They felt that these ties had hardly any value in practice but caused the Dutch in Indonesia to be stigmatised as the cause of all the young republic's difficulties. They were satisfied by Indonesian assurances that Dutch business would be treated on an equal footing with other foreign capital. Lately, however, they have been watching with growing concern the further deterioration of the relations between the two governments, which have now reached a very low ebb. A few weeks ago the Dutch government at long last decided to accept an Indonesian offer, made last March, to exchange ambassadors who would replace the high commissioners appointed under the annulled Dutch-Indonesian Union; but Indonesia icily announced that the establishment of a Dutch embassy was "inopportune" for the time being.

If an increasing number of politicians had their way, Dutch-Indonesian diplomatic relations would remain in the air until the Dutch changed their attitude towards West New Guinea. The struggle to obtain possession of West Irian—as the Indonesians call the territory—is the second point in the government's programme. It maintains that with the abrogation of the 1949 agreements the Charter of the transfer of sovereignty to Indonesia is no longer valid, and that, in the words of a high-ranking Indonesian official, "We are back now to the situation which prevailed after the Proclamation of Independence in August, 1945. This proclamation concerned the whole of the Dutch Indies, including West New Guinea, which was excluded from the transfer of sovereignty." Now that it finds itself, with some surprise, being wooed by both East and West, and strengthened by the support of the Afro-Asian governments, which met at Bandoeng last year as its guests, Indonesia will undoubtedly press its claim on New Guinea with more self-confidence than ever.

Indonesia's first elected government was born under a lucky star. For years Soviet Russia exported nothing but pictures of Stalin to Indonesia; but now it is trying to make friends by offering economic aid and by inviting the Indonesian President and a parliamentary mission to visit Moscow. The offer of aid was made a few weeks after Indonesia signed an agreement with the United States on the purchase of surplus commodities. The country needs money—it has embarked on a five-year reconstruction plan—and the government has already repeatedly said that it would welcome aid from West and East alike, provided no political or military strings are attached. Meanwhile the govern-

ment is doing all it can to stimulate trade. It has lifted the embargo on the export of rubber to China, and will shortly send an economic mission to Peking; and economic ties with Germany and Italy are being strengthened as a result of President Sukarno's visit to those countries.

Moscow's overtures perhaps account for the accommodating attitude of the Indonesian Communists, who have 39 seats in the parliament but were excluded from the government coalition. So far they have not—as they might have done—hindered the government's reconstruction efforts by inciting the trade unions, which they dominate, to make trouble. They seem to prefer a more subtle type of opposition. According to the Jakarta newspaper, *Pedoman*, which is the influential mouthpiece of Sutan Sjahrir's Socialist party, the Communists decided at a secret meeting to try to split the cabinet from within. They are to do this by campaigns directed against the Masjumi and its ministers, particularly the sedate first vice-premier, Mohammad Roem, and the prudent finance minister, Jusuf Wibisono. They reasoned that in this way they could maintain good relations with the Nationalists and the Nahdatul Ulama, and at the same time sap the present government's power. So far, however, there have been no signs that this policy has scored any successes.

Australian Form for the Trade "Test"

FROM OUR CORRESPONDENT IN SYDNEY

THE Australian Federal Cabinet held very long discussions about the course to adopt in the trade talks with Britain this month, and Canberra has been buzzing with hints of an element of surprise in the final tactics. It appears, however, that no hard and fast line was laid down in the Cabinet room. The finishing touches were left to be worked out at sea, in the tropic waters between Colombo and Port Said, while the Minister for Trade, Mr McEwen, was temporarily a fellow passenger of Mr Menzies. The Cabinet evidently decided to give its two most influential members an unusually free hand to negotiate in London. The real cartridge in their belts is the authority to say, for the first time, that Australia will have to scale down some of the preferential tariff advantages enjoyed by most British products landed here.

Almost to the end, a minority of Cabinet members resisted the idea of going so far. Sentiment against doing anything "to hurt Britain" is not extinct. There are hopes still that the United Kingdom may propose an acceptable alternative, in the shape of undertakings to buy more of Australia's primary products. But the great difference between Australia's latest attitude on the Ottawa tariff schedules and the line it was taking two years ago is that nobody expects Britain to restore the balance by giving new tariff preferences to Australian products. It is recognised that the rules of Gatt prevent this. In any case, tariff duties would hardly be applicable to some of the primary export markets that Australia is concerned about. Any lingering hope that Britain may open its doors wider to Australian exports rests mainly on the chances of per-

suading it to see the case against buying the subsidised exports of countries like Argentina. A second prong of the Australian argument is that Britain itself should not subsidise a greatly expanded home production of food-stuffs in a period of world surpluses.

To distinguish a "subsidised" primary export from the Simon-pure variety is admittedly an intricate matter these days, and Australian realists acknowledge that the Conservative Government in Britain is not likely to reverse its general policy of leaving the free play of market forces to determine the pattern of commodity purchases. Nevertheless, it is suggested, Australia naturally grows some of the cheapest wheat in the world. Admitting the limitations in the range of grains produced, and possible deficiencies in selling techniques which must be corrected, there is something wrong in a system that prevents that wheat from enjoying its natural advantages in overseas markets. It is argued that there would be nothing inconsistent with the spirit of Gatt if Britain took some kind of anti-dumping action against foreign grains to ensure that the Australian product came into its own.

However, many hard heads inside and outside the Australian Cabinet accept the probability that Britain will not be able to open the doors wide enough. From that point, their reasoning is fairly terse. Australia's trading position is becoming desperate; the Imperial preferences are now working much more to Britain's advantage than Australia's, and that is not fully offset by separate trading agreements between the two countries in commodities like sugar, meat and copra; were it not for the tariff preferences, Australia could import some items more cheaply from foreign countries; besides the saving in the imports bill, Australia would be able to re-negotiate mutual tariff reductions with those countries (inside or outside the regular Gatt conventions) so as to secure itself better export markets; in its present condition it must be free to "shop around" in this way.

Gulliver Raises His Voice

That is the argument and that is the sense in which Mr Menzies has said he will seek a new trade agreement to replace the Ottawa schedules. The idea is not to abolish Imperial preferences—Australia is conscious of its own advantages from them—but to fix a more accurate *quid pro quo*. There will be no attempt to work out the details in London now. That will be left to departmental officials of both countries, and it is rather hoped they will assemble in Canberra for the job. One suggestion is that Australia may seek to convert many of the tariff rates on British products from an *ad valorem* to a fixed-duty basis. It was because the Ottawa pact left Australia enjoying fixed-duty preferences and Britain *ad valorem* ones that the scales came to be tipped so heavily in Britain's favour during the inflationary years that followed.

If Australian trade spokesmen have not been notable for the understatement of their grievances in recent years, it may be mentioned on their behalf that they have had simultaneous troubles over American quasi-dumping of food surpluses. There was only one thing for little Gulliver to do about that—to shout at the top of his voice into those Brobdignagian ears; and perhaps it is natural that the same technique has sometimes, consciously or unconsciously, crept into discussions of trade with Britain. It is not claimed that Imperial preferences are a principal cause of Australia's present trade difficulties, or that a revision of

them alone will avert the ugly threat of a siege economy. This is simply a time when—as the import cuts announced this week show—no kind of alleviation can be neglected.

There is still regret that Australia should have to take the negative course of reducing purchases from Britain, instead of the positive course of expanding sales to Britain. There is a faint air of puzzlement that the Imperial concept seems, in a sense, to have shrunk under Britain's Conservative regime. Overseas trade cuts across politics, and it is inconsistent of a non-Labour Government in Canberra to hanker after the bulk-buying policies of Earl Attlee's Ministry. But, so far as the purchase of subsidised foreign products is concerned, not a few Australians would be inclined to echo a recent remark of Mr T. H. Strong, the director of the Federal Bureau of Agricultural Economics: "It just does not make sense that there should be a near-crisis in the sterling area's gold and dollar reserves, and severe restrictions in Australia on imported goods, while grains lie idle here."

Bolivia's Aided Revolution

FROM A CORRESPONDENT

BOLIVIA, where the ruling *Movimiento Nacional Revolucionario* (MNR) won the elections on June 17th, is notoriously a land of contrasts and contradictions. "La Paz," wheezed a breathless Frenchman in the 12,000 feet high capital, "La Paz, c'est la guerre!" Ancient Inca customs survive among the Indians; the supercilious llama on the high *Altiplano* tableland is not of our world; and there are other strange survivals, such as a Trotskyist party. But Bolivia also has orthodox communists; and the world's ideologies and interests meet and clash on its barren heights and in its steaming valleys.

It is nothing unusual for the government's candidate—in this case Señor Hernán Siles Zuazo—to be victorious in South American presidential elections. Nor is it sur-

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prising that a government which has nationalised the foreign-owned tin mines, begun to divide large estates among the peasants, and broadened the franchise to include every adult citizen, should retain popular support. The striking feature of the situation is that for three years this revolutionary régime has received generous American aid, without which, indeed, it would have gone bankrupt.

General Perón backed the revolution which brought the MNR to power in 1952. For the previous six months America had refused to buy Bolivian tin (which normally accounts for at least 60 per cent of the country's earnings of foreign currency), claiming that the price demanded was exorbitant; there was intense "anti-Yanqui" feeling in La Paz; and it seemed obvious that neither Dr Paz Estenssoro's Peronista connections nor his nationalisation policy would be well received in Washington. Therefore it seemed in 1952 as though relations with the United States would become increasingly strained. The contrary occurred. American purchases of tin were resumed, and have been maintained. Point Four assistance has been provided in a most enlightened manner: peasants are now being taught by North American experts to cultivate efficiently the land they receive under the agrarian reform programme. Meanwhile, as Bolivia still cannot grow enough food, substantial grants of rice and other foodstuffs have been made from American agricultural surpluses. In three years, Washington's economic aid has amounted to about \$56 million. Thanks to the relative stability thus created, American capital is now being attracted to Bolivia, especially for exploring and exploiting the country's oil resources (Bolivia is already an exporter of petroleum). And the political consequence of the collaboration between Washington and La Paz was apparent in this month's elections, when the communist vote was negligible.

Discontent and Communism in West Bengal

BY A CORRESPONDENT

AT various times during the era of British rule in India, Bengal earned a reputation as the country's biggest centre of terrorism and revolutionary sentiment. Nor has it lost this reputation since independence; its industrial and urban areas, together with the discontented intellectuals of Calcutta university, are still regarded as communism's natural recruiting grounds. Moreover, throughout India, the middle classes, with their large proportion of "Failed BAs" and unemployed graduates, have been widely held to be safe bets, sooner rather than later, for the Communist party. The fact that, in the general election of 1952, the party obtained only six per cent of the total of 103,592,000 votes cast throughout India did not destroy these beliefs. It was argued that the ruling Congress party could not long retain the unity and the prestige it had gained during the years of the struggle for independence, and when it fell apart under the impact of economic and other issues, the Communists, cashing in both on the grinding poverty of the masses and on the discontents of the middle classes, would come into their own.

With the formation of the Indian Institute of Public

Opinion, these assumptions have been subjected to statistical tests, with surprising results. The Institute's first survey in West Bengal last year indicated that support for the Congress party in that state had risen from the 38.9 per cent revealed in the 1952 general election to 53 per cent, that the Socialist party's popularity had fallen from 11.9 to 2, and the Communist party's from 10.8 to 7 per cent. Remarkable, too, were the answers given to the specific question "Would you say that prospects in general, and your prospects in particular, could be better improved by gradual reform, or by sudden and violent change?" Of the sample of 1,500 persons questioned, no fewer than 78 per cent believed in gradual reform, 18 per cent "didn't know" and only 4 per cent preferred sudden and violent change.

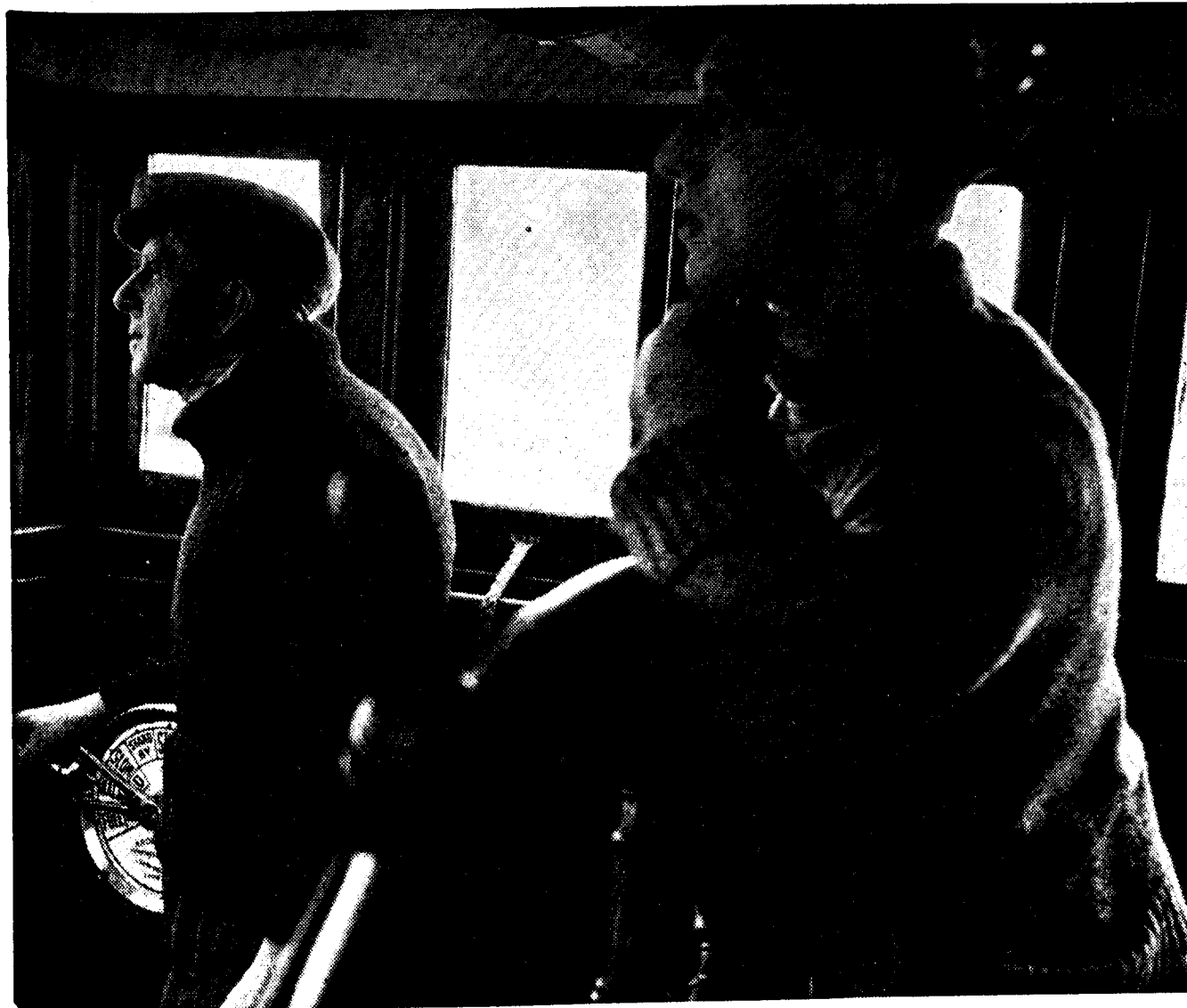
Focus on Middle Classes

Whatever percentage for error must be allowed, the probability that these figures represent the broad trend of West Bengal opinion seems to be upheld by subsequent polls, the most recent of which was focused on Bengal's middle classes. This established two outstanding points. Economic discontent prevailed among no less than 61.6 per cent of the 760 middle-class persons interviewed in rural areas and small towns, and 65 per cent of the 229 interviewed in Calcutta. Yet, of the discontented outside Calcutta 51.7 per cent put their faith in the Congress party and only 5.8 in the Communists, while of the Calcutta discontented 36.9 per cent were for Congress and only 7.4 for the Communists. By comparison with the votes recorded at the general election, the opinion polls suggested that revolutionary sentiment in Bengal's middle class is lower than the average for all classes in Bengal. It is also striking that among the Calcutta discontented only 8.7 per cent hoped for improvement by sudden and violent change, while as many as 77.9 per cent were ready to put their trust in gradual reform.

The Institute polls uphold the traditional view that intellectuals are natural sources of communist recruitment only to the extent that in the specific categories of students, school teachers, clerks, and self-employed, communist sympathies were shown to run slightly above the average for the state as a whole. Noting that the Communist party gets negligible support from Bengalis in business, even in the lowest income bracket, the Institute hints that this "might conceivably warrant the conclusion that one factor in stabilising political opinion is the expansion of private business."

As far as they go, these statistics are reassuring to all who pray for a strong democracy in a flourishing India. But experience in other countries has repeatedly shown that, while communists have no objection to securing votes, they excel as a minority party in gaining power by devious methods. Among the questions put by the Institute to Bengalis was, "Do you enjoy discussing political questions?" To this 16.6 per cent replied, "Very much," 51 per cent "somewhat," and 31.4 per cent, "not at all." These figures suggest that, together with communist readiness to take every advantage of the average citizen's good-natured apathy, there is no room for complacency on the part of the Congress party.

(The survey results discussed in this article are quoted by courtesy of the Indian Institute of Public Opinion, 52, Queensway, New Delhi, and may not be reproduced without the permission of the Institute.)



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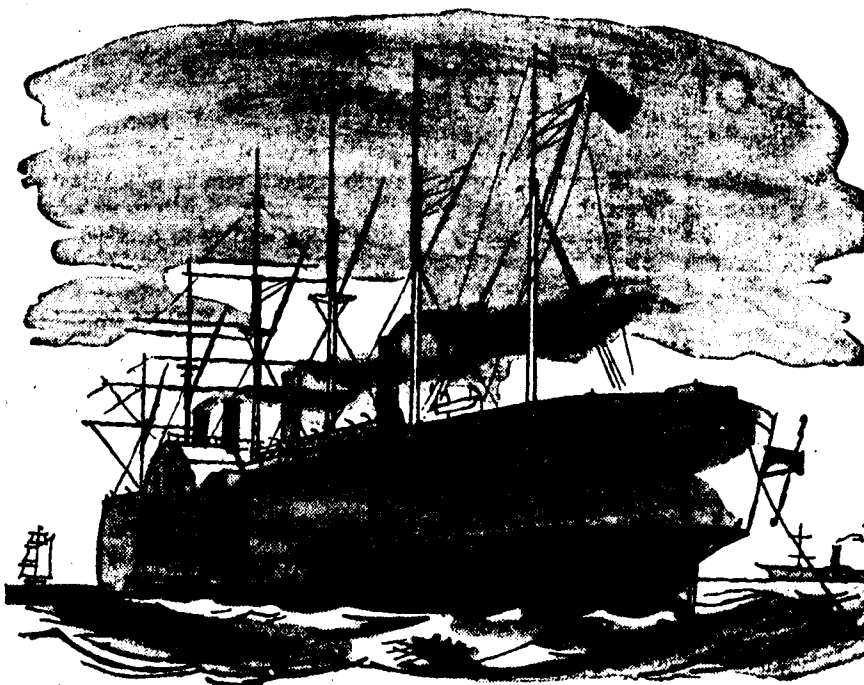
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THE BUSINESS WORLD

Unfreezing the Railways

THIS week the British Transport Commission has given its own definition of the terms on which it will join with other nationalised industries in the so-called "freeze," from which Ministers expect so much and the British economy, so far as can be judged at present, stands to gain so little. "Freeze" is coming to have distinct and delicate shades of meaning. Last week the National Coal Board honoured its observance by repeating that the increase in coal prices from June 1st would cover its costs this year and next and provide a surplus towards the elimination of the board's accumulated losses and that no further increases need be expected unless something exceptional happens. This week the Gas Council has pointed out, very properly, that the twelve area gas boards have a statutory duty to balance their books, but that after they have made any necessary revisions of their prices to meet their increased costs at June 1st—the most important being the higher price of coal—they will make no further price changes at least until the end of March next year "unless something quite exceptional and unforeseen occurs to frustrate that intention." In these industries—and to some considerable extent in electricity too—prices are being solidified at around the temperature of current costs.

By comparison, the railways present a contrast that is dramatic and frightening. They have in effect been frozen both in their freight charges and in their passenger fares since the middle of March, when the Minister of Transport (after declaring that "the strict application of the Government's present economic policies requires that, in fixing their charges, all the nationalised industries should seek fully to reflect their costs") found it expedient to give the Transport Commission only half of the 10 per cent increase in freight charges which it had sought (a decision that brought a demurrer from the Transport Tribunal when they came to consider it later). At the same time the

commission withdrew applications for increases in certain fares on London Transport and the railways. The commission had asked for increases in charges to provide £37 million in a full year; they were allowed increases worth £20 million in a full year, pending the outcome of six months heartsearching, up to mid-September, to discover ways of improvement.

THE COMMISSION'S REVENUE
(£mn.)

	1952	1953	1954	1955
<i>Working Surplus:—</i>				
Railways	36.9	33.0	14.7	0.2
Road Services	1.6	8.9	8.7	4.3
Buses	3.8	4.8	5.0	5.4
LTE	1.0	0.6	2.3	3.5
Other	12.5	12.1	14.8	16.1
	55.8	59.4	45.5	29.5
<i>Central Charges</i>	<i>61.3</i>	<i>55.2</i>	<i>57.4</i>	<i>60.1</i>
Net Surplus (+) or Deficit (—) ..	+4.5	+4.2	—11.9	—30.6
Accumulated Deficit	31.5	27.3	39.1	69.7

Thus the Transport Commission can be said to have started the "freeze"—or to have had one thrust upon it. It has since been caught by the ante-freeze increases in coal (costing £4½ million in a full year) and in other commodities. In these circumstances the statement that the chairman of the commission made on Wednesday goes to the very limit of what the most ardent devotee of the policy of "freezing" could have demanded. First it will make no general increase in passenger fares on the railways or London Transport this year—local adjustments excepted. Secondly, the railways will not increase their freight charges this year. To this, there is one important proviso, and a series of footnotes. The decision on freight charges has been made "provided that, as a result of the reassessment of

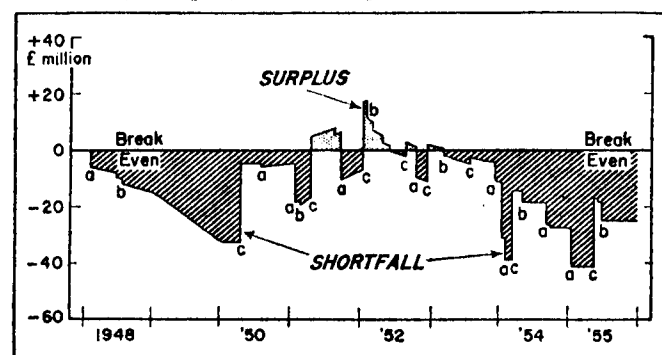
their financial position now being made, a course of action consistent with their statutory obligation and a proper development of their undertaking can be worked out and adopted." To break through this barrier of words, the statutory obligation is to secure enough revenue to meet its charges; and the proper development of the undertaking is bound up with the modernisation plan, now in its early stages, and with the provision of new capital under the new arrangements that Mr Macmillan introduced in April for financing the nationalised industries. The footnotes point to the improbability that any effective increase in freight charges could have been introduced between mid-September and the end of the year, even if the Minister had approved. As for the new freight charges scheme, on which the decision of the Transport Tribunal has yet to be given, it is now quite evident that even with early approval it could not be introduced at the beginning of next year.

For nine months, the railways will have held their charges constant while other industries have been able to increase theirs. The result (as the commission's report for 1955 has shown this week) is that railway charges in terms of other commodities and the general level of incomes are as cheap as they have ever been. Last year's deficit of £30.6 million (after meet-

charges to match increased costs, plus a further £50 million of increased and uncovered costs that it carried through these years. In these terms, six years of inflation have cost the commission £100 million, and against that an accumulated deficit of a mere £70 million almost ranks as a proud achievement. But the very size of this deficit (against which the commission is not entitled to borrow) is a hideous impediment to straightening out its finances. It has not been allowed (and perhaps the task would be commercially impossible at present) to attempt to recoup part of the deficit, as the Coal Board is doing. It has never been capable of making any consistent surplus over and above its central charges. Since it has no net earnings, and is draining away its cash assets, there would be a kind of hard commercial logic in defaulting on its interest payments and leaving the Exchequer to implement its guarantee. But any adventitious relief of this or any other kind would be tantamount to an explicit subsidy. It would mean that all hope of commercial viability for the railways had been thrown out of the window; it would bring the commission under even more detailed supervision in everything that it did; it would invite wage claims wholly unrelated to the financial ways and means of railway transport and destroy any will to resist them.

BRITISH RAILWAYS

Shortfall (or surplus) of net receipts to meet Central Charges.



(a) Wages increased (b) Coal increased (c) Railway Rates increased

ing interest charges) was not wholly due to the lag in adjusting charges to meet higher costs; the railway strike probably cost about £12 million net, and the impact of higher costs is put at £13 million. On a calculation of this kind, the financial deficit does not seem to argue an unremediable economic instability. But this latest deficit has raised the commission's accumulated deficit to £70 million; and the current estimate of this year's shortfall is put optimistically at £45 million and pessimistically at £55 million. By the end of the period to which the commission has committed itself, therefore, it will be in the red to the appalling tune of £125 million.

Given this figure, what "course of action" can be made consistent with the commission's statutory obligation? Certainly not the course of inaction that since 1949 has prevented it from recouping, as it estimates, £50 million through delays in increasing

It would be optimistic to suppose that the six months review will bring to light remarkable new ways of railway operation that have hitherto remained undiscovered. The commission's report again shows (with due allowance for last year's strike) an improvement in broad operating efficiency; and the new capital expenditures of 1955, which gathered momentum "after long years of capital attrition" hold the promise of further improvement to come. But although there is promise in what has been begun towards reorganisation and re-equipment, the report does not conceal the fact that progress towards the railway revolution implied in the 15-year modernisation plan is bound to be slow at first.

What, then, is to be done to put the railways on their feet? There are no special financial tricks that could be prayed in aid that would not, at the same time, destroy such commercial independence as the commission now has. It might, for example, be an act of poetic justice if the accumulated deficits caused by policies of stabilisation and delayed increases in charges were temporarily covered by the Exchequer, since governments have been largely responsible for them. But the price of such temporary relief would be subordination. There remain two directions along which it is possible to conceive (though by no means possible to be certain) of advance towards better railway service and good financial results. Neither is new. The first is the vigorous prosecution of the modernisation plan—an act of faith for the Exchequer, which has to provide the money on a prospectus that honestly admits that tangible returns lie some years away. The second is

the realisation of the greater commercial freedom that was promised to the commission in 1953, and which has still to be delivered.

Even if these things are granted, the commission will be in a painful financial predicament for some years to come. It is failing to attract traffic, partly because of the competition (as it would assert, often the wasteful competition) of privately owned transport. The only

Mr Clore's Victory

DR JOHNSON called the high road to England the noblest prospect that a Scot ever sees. The majority of the former directors in Scottish Motor Traction, disagreeing with him, were not willing to take a road that led to Grafton Street and Mr Charles Clore. But struggle as they might, the SMT directors had in the end to concede complete victory to Mr Clore. He is the new chairman of SMT, its fourth within a matter of weeks. The Atholl transactions, which clouded the issue last week, are repudiated. A new board directs the company's affairs. On it sit Mr Charles Clore, his two close associates Mr Leonard Sainer and Mr John Gardiner, the Earl of Elgin and Sir Andrew Murray. Sir Andrew, the only former director of SMT left on the board, must feel some consolation, for at an earlier stage he was turned out of the chairmanship of the company for taking a more favourable view of Mr Clore's bid than did his former fellow directors.

The SMT case will surely rank with the Sears and the Savoy Hotel disputes as one of the leading examples of the take-over bid. In it all the ingredients of prejudice against bidders, *ex parte* statements, counter bids, and counter moves by directors were spiced by the gathering of the clans in national pride and sentiment. Most of the noise obscured the real point. It is that whoever wishes to make a bid because he thinks assets are being under-employed has a right to make that bid, and if he is successful to have a clear, unfettered title to the shares, with the rights that go with them unimpaired.

Mr Clore now controls a majority of the SMT ordinary capital; and as director he can modify the use to which the company's assets have hitherto been put, for the benefit of the company, and of its shareholders, including himself. What are these assets? On September 30th, the consolidated balance sheet of SMT revealed, in round terms, the following items:

Ordinary capital	£1,509,000
Reserves	£1,795,000
Total liabilities	£3,873,000
Net fixed assets.....	£657,000
Liquid assets	£2,070,000
Total assets	£3,873,000

In the first skirmishes with Mr Clore, the directors of SMT said that the business of Alexander Findlay had

answer for a railway system that has been starved of new capital and short of some important grades of labour for several years is to give modernisation a fair chance to show its possibilities of providing improved service to railway users, and of yielding what promises to be an economic return. Only on such conditions can the creeping glacier of deficits and despair be unfrozen and become a torrent of energy and enterprise.

been recently purchased for £650,000. Roughly, this purchase would seem to change the composition of the assets to the following:

Net fixed assets	£1,300,000
Liquid assets	£1,420,000

Even after this purchase SMT remained rich in liquid resources; its businesses centred on the distribution of Vauxhall and Bedford vehicles in Scotland, through SMT Sales and Service, and upon atomic developments, through Alexander Findlay. That was a tempting bait for Mr Clore. There was cash; hidden untapped reserves in the unrealised value of freehold properties; and assets employed in businesses which might form a link with his own interests in oil distribution and engineering.

Mr Clore's original bid was one 5s. "A" ordinary share in Sears Holdings for every 5s. ordinary share in SMT. Mr Hugh Fraser countered with a similar offer in the shares of the House of Fraser, the relative attractions of the two bids turning on small variations in the prices of the shares. Mr Clore then added a cash premium of 1s. a share to his offer, and Mr Fraser immediately followed suit. On June 18th, Mr Clore announced that he had gained control, after owners of 53 per cent of SMT's ordinary capital had accepted his offer. Mr Fraser did not immediately withdraw his offer and, on June 19th, the directors of SMT (apart from Sir Andrew Murray) assented to it for the shares they owned. Mr Clore, aiming at something bigger than a bare majority, left his offer, including the cash premium, open until the close of business on June 25th. On June 23rd, Mr Hugh Fraser, following the revelation of the Atholl transactions, which he said were entirely unknown to him, withdrew his bid "with great regret."

The Atholl transactions were a mine suddenly sprung by the directors of SMT. They seemed to have changed the face of the battlefield overnight, and it was contended that they might have prevented Mr Clore from gathering in the trophies of victory. Since they have been withdrawn, they will not be submitted to legal test—which is a pity, for they seemed to raise important points about the responsibilities of directors towards the disposal of properties and the interests of shareholders. The sparse details of these transactions

were first revealed in a statement issued on June 21st by Sir Andrew Murray, who throughout this affair seems to have been at variance with his former colleagues on the SMT board. This was immediately followed by a statement from the SMT directors, summarising the transactions. Briefly they were:—

(1) SMT agreed to purchase from Mr R. N. Scott the whole of the issued capital of Atholl Houses, a private building and construction company, for £850,000. Of this, £250,000 was to be paid over at once and securities representing the balance were to be lodged with the Commercial Bank of Scotland, pending a confirmatory valuation by the chartered accountants, Messrs Wyllie J. Guild and Ballantyne.

(2) SMT's wholly owned subsidiary, SMT Sales and Service, granted an option for £14,000 to Atholl Developments, a private company with which Mr R. N. Scott is associated, to purchase properties owned by SMT Sales and Service for £1,400,000. One clause of the option was that Atholl Developments should grant SMT Sales and Service 99-year leases on the properties sold.

(3) In consequence of these arrangements, Mr R. N. Scott was appointed a director and the chairman of SMT.

All this was decided at an SMT board meeting at 9 pm on Wednesday, June 20th. Thus new companies and new names were introduced to the struggle. One of them, Atholl Houses, is a private company, engaged in building and construction, registered in 1944. On December 31, 1954, the date of its last balance sheet on the companies' file, it had an ordinary capital of £61,000, reserves of £133,000, fixed assets, less depreciation, of £27,000, current assets of £552,000, work in progress of £262,000, and sundry creditors of £265,000; in 1953 it earned a gross profit of £36,000, and in 1954 of £184,000. Its board was entirely reconstituted early this year, and is now made up of Mr R. N. Scott (registered at a London address), Lord Sempill, Sir Alfred Beit, Mr H. J. Guntrip, Mr G. A. Henderson, Mr J. K. McCreery and Mr S. E. Bushell. Atholl Developments was incorporated as a private company on April 4th, with a capital of £100; its directors are Mr Bushell and Mr Guntrip, each holding 50 shares.

The transactions between these companies and SMT seem to have been arranged in some haste. Mr Fraser, whose counter-offer the SMT directors had supported, seems to have been taken by surprise. Sir Andrew Murray was summoned to the meeting only an hour before it took place, and in commenting on the Atholl Houses purchase he is reported as saying:

This was the first time this matter had been mentioned to the board although there had been a meeting two days earlier and the board had no information or expert advice before them to give the matter proper consideration.

On June 26th Sir Andrew Murray sought and secured an injunction in the London courts putting until June 29th a restraint on the transfer of securities in connection with the Atholl Houses purchase. In the course of his argument, counsel read an affidavit from Sir Andrew in which he said that four of the SMT

directors had entered into the proposed transactions with the object of causing loss to the company and the stockholders by disposing of, or purporting to dispose of, assets for a grossly inadequate consideration. They sought to put the assets beyond the control of the majority of stockholders and a future board of directors. They were in breach of their fiduciary duties to the stockholders.

These, it must be emphasised, are words used by one contender in a bitter struggle, and when the Court gave the injunction it did no more than find a *prima facie* case. While Sir Andrew sought an injunction in London, two petitions in connection with SMT and the Atholl transactions were lodged in the Court of Session, Edinburgh. They were then withdrawn on the same day, June 26th, for "by mutual agreement" the Atholl transactions had been cancelled.

★

These transactions now become a six days' wonder, and until the legal dust has finally settled on them there would be neither point nor propriety in hazarding guesses at their real purport. But the episode has raised once again difficult and still largely unresolved questions about the fiduciary responsibilities of directors towards shareholders. It may go against the grain when directors are faced with aggressive buying of shares by "outsiders" to put this responsibility first. But put first it must be. It is legitimate for directors to resist a bid for shares within all proper bounds. But bids are usually made because directors have not been doing as much for their company and the shareholders in it as the bidder promises to do in future. To say at that stage that anything the bidder can do, they can do better, is to admit failure to do so in the past. To attempt to get out of this dilemma by such devices as radical changes in the nature of the assets, or even by attempting to put them beyond the reach of shareholders, is certainly objectionable.

The Atholl transactions were announced after June 18th, a date by which a small majority of the original shareholders in SMT had accepted Mr Clore's offer. They can have accepted it only because they thought he was offering a fair price for their shares and because they were convinced by his arguments that the assets were not being fully employed and that the shares were previously undervalued. These shareholders, by accepting Sears shares, intended, in effect, to put the management of SMT into the hands of Mr Clore, presumably because they thought he would make a better job of it. However much this vote of no confidence must have hurt the original board of SMT, the directors should have heeded it and held their hand. They had lost the argument by June 18th. Then was the time for them to withdraw. A lost battle demands grace from the defeated, as well as mercy from the victor; and as things were, Mr Clore, whether on grounds of equity or of economic common sense, had a right to his triumph.

Business Notes

Plymouth Tests the Market

Two types of local authority issue have been permitted to come forward in advance of the Government's own refunding operation. One involves no interference with the market—Warwickshire's £1 million of 5½ per cent stock 1964-1965 at £98½ which has been firmly placed with just enough stock available to make a market. The second is Plymouth's issue of £3 million 5½ per cent stock 1964-1965 at £99—which is, in fact, a necessary conversion operation to replace £732,252 of Plymouth's maturing 3 per cent stock 1956; lists for the conversion offer will remain open until July 5th, but the bulk of the issue is new money. The terms that Plymouth has been able to obtain look distinctly slimmer than Warwickshire's. The flat yield on the Plymouth stock is 5½ per cent compared with 5½ per cent on the Warwickshire stock and the gross redemption yield is 5½ per cent against 5½ per cent. Moreover, the sum required is larger. The true comparison, however, is between the cost of the Warwickshire stock to its guarantors—£98½—and the cost of the Plymouth stock to underwriters if they have to take it—£99. Plymouth is therefore slightly dearer to underwriters. Whether and how far they have been called upon to take it will not be known until the conversion lists have closed and dealings start next Friday.

Both these authorities are doing substantially better with quoted stocks than are the large number of corporations that are perforce doing their borrowing through the mortgage and short money markets. Active business goes on in these markets and large sums of money continue to by-pass the Stock Exchange. For temporary money from seven days to one month and seven days, a rate of 5½ per cent per annum is being paid; for longer periods up to one year the prevailing rate is 5½ per cent. In the mortgage market the rate is a firm six per cent for periods of two to five years and the same rate is frequently, though not quite invariably, paid on seven-year mortgages. From that term of years onwards the rate shades away, as the mortgage lengthens, to 5½ per cent, 5½ per cent and for the longest mortgages of all 5½ per cent. An exceptional feature is that some local authorities are finding it necessary to agree to pay 5½ per cent for periods as long as 30 years—a sure sign that the supplies of mortgage money are less than the demand and that the institutions that use that form of investment can call the tune.

The market still has its bright spots; the active buying of oil shares, including a strong American demand for British Petroleum that has hoisted the price by 23s. 9d. to 180s. 7½d. in a week, is the most obvious of them. The modest revival of activity among gold shares is another, but as a whole the markets have been without a firm trend, gilt-edged stocks dragging downwards and industrials marking time. The Government's funding operation must now coin-

cide fairly closely with the start of the second half of the year, which itself usually brings a little life to gilt-edged. The time for market stagnation to be resolved in one direction or the other is approaching.

Bill Rate Jumps

THE behaviour of the Treasury bill rate has troubled the gilt-edged market during the past week. At last week's tender the discount houses cut their application price by 4d. per cent, with the result that the average rate of discount rose to nearly 5½ per cent; the three preceding tenders were at just over 5 per cent. The downward drift that persisted while sterling held firm seems to have been clearly reversed. From the peak of 5½ per cent touched just after the mid-February increase in Bank rate, the Treasury bill rate had sagged almost to 4½ per cent by early May, and then stood unchanged until sterling came under fire at the end of that month. The latest increase is associated with renewed weakness in sterling, but it also reflects technical operations at the end of the half-year.

The prospect that money stringency on June 30th would force the discount houses heavily "into the Bank" for seven-day loans at Bank rate would have tended to force bill rates up in any case, but this time the fear of stringency was sharpened by the fact that the half-year ends on a Saturday, so that all the bills offered at last week's tender had to be carried through the difficult period. Although it reduced its bid sharply, the bill market secured a large allotment; that normally would have underpinned the higher rate; but on this occasion it did no more than offset the rather low allotments secured in the two preceding weeks. The cause of the unexpectedly large allotment was a striking decline in "outside" tenders—total applications dropped from £396 million to £359 million, easily the lowest since the corresponding tender before end-1955—but there is no reason to regard this as a lasting change in the recently strong appetite for bills. The "outside" houses were obviously also preparing for the June 30th stringency. This suggests that the latest rise in the rate will not be maintained.

The more pronounced weakness of sterling in the past few days may retard the readjustment, and is indeed a ground for a further increase; but the City has doubtless noted the support that Mr Macmillan has lately given to the view that monetary policy will not get significantly tougher unless Britain faces a major crisis. "In circumstances of extreme emergency," he said last week, "it might be right to accept temporarily an even stiffer dose of monetary deflation than we have now." But such a course, he thought, would have disadvantages: "if we keep our nerve we can surely find the way out . . . without recourse to the most

extreme monetary measures." Such an utterance is bound to weaken the psychological force of the money weapon he is wielding.

Sterling Below \$2.80

STERLING has this week crossed the psychologically important line of its dollar parity. At the beginning of the week the rate on New York in the official market was \$2.80½. But sterling came under further pressure and as the Exchange Equalisation Account apparently offered no resistance the line of \$2.80 was crossed on Tuesday. By Thursday the quotation was \$2.79½. A good commercial demand for dollars has persisted, notably from oil companies, and the demand for sterling is at a low ebb. This is partly seasonal, reflecting the passing of the wool and cocoa selling peaks, partly due to special influences such as the shearers' strike in Australia which has seriously impeded movements of wool, and partly the result of falls in the prices of some sterling area commodities including copper and tin. Those three influences together do not, however, amount to a full explanation of sterling's weakness. End-of-month balancing of books was also important. Now that sterling appears to be under suspicion by many Continental merchants and bankers, there is a tendency at the end of each month for any balances to be sold.

The foreign exchange market in recent weeks has, however, been largely dominated by the exceptional strength of the Deutsche mark, which paradoxically has gained from the recently announced measures to temper the strength of the German balance of payments. The impending reduction in import duties into Germany should in the long run lead to increased imports into that country, but the immediate effect of the announcement has been to hold up many import orders until the benefit of the lower duties can be secured. Vague talk from German ministers about the desirability of reconsidering the structure of exchange rates in Europe has inevitably been translated into rumours of a possible revaluation of the Deutsche mark. Against sterling the mark rate has this week touched 11.67½, which is almost the extreme of the range of permissible fluctuations.

The London foreign exchange market will welcome the decision announced by the Bank of England this week to allow individuals and firms outside the sterling area to transact business in the London market for both spot and forward transactions. Hitherto direct access to the London market by residents outside the sterling area has been restricted to recognised banks. This was a relic of the days when the British exchange control authorities insisted that currency transactions should be related to genuine commercial operations and therefore demanded a counterpart of unquestioned "respectability" for any deal.

PWLB Limits Cut

THE authorised limits upon the issue of funds to the Public Works Loan Commissioners are being reduced in conformity with the steep reduction that has occurred in new lendings by the PWLB as a result of the new

policy of requiring the local authorities to finance themselves as far as possible through the market. In the financial year to date new lendings by the PWLB have amounted to only £29 million, compared with £90 million in the corresponding period last year; over the eight months since the change in policy occurred they have totalled £133 million (compared with £298 million). The new Public Works Loans Bill accordingly fixes lower limits for the provision of finance to and by the Loan Commissioners. Issues to them during the period before the passing of a further Act must not exceed £300 million, compared with £500 million fixed for the period now ending. More significantly, the limit upon the PWLB's aggregate commitments outstanding at any time during the period, together with the amount of its new advances, is now to be fixed at £400 million, whereas previously it was £1,000 million.

Meanwhile, the Treasury has made a rather puzzling change in the Board's lending terms. It has reduced the rate for loans of less than five years from 5½ per cent to 5¼ per cent. The proportion of total borrowing from the PWLB for such short periods is small. But if the Government were working on the principle that changes in PWLB charges ought to conform to those in its own costs of borrowings for like periods, this adjustment would be reasonably explicable, since the yields on short bonds have fallen considerably in the three months since the previous change in PWLB rates. But those rates are still substantially above the bond yields; moreover, the criterion for PWLB charges now is supposed to be the rates at which local authorities of good credit standing can borrow in the market. None of the authorities has attempted a market issue of stock for a life of five years or less—but in the mortgage market the rate for short borrowings is the highest of all, and substantially above even the former 5½ per cent rate of the PWLB.

Redundancy at BMC

THE dismissal of 6,000 workers by the British Motor Corporation on Friday—nearly an eighth of its total production labour force—did not come as a complete surprise. The weakening of the car industry's markets in Britain and overseas has taken place just when BMC was making substantial additions to its production capacity. Last year the group increased its sales by 27 per cent to 463,000 vehicles, of which about 200,000 were exported, and it was putting the finishing touches to its preparations to expand capacity to an annual rate of about 500,000 vehicles by the spring of this year and to 600,000 by mid-summer. Although the company claims that its total exports and its share of the home market have grown since last August, the end of its last financial year, any growth in total sales must clearly have been far below the one-third increase on which its output plans had been based. This must have eaten heavily into the company's operating margins and, significantly, BMC held out until March before following the price increases other manufacturers made last October, presumably in the hope of stimulating demand for its products. The short-time working that broke out amongst car manufacturers in January, too, has never shown much subsequent improvement at the Austin plant. Recently

about 7,000 of the group's employees have been working a four-day week and, according to the company's statement this week, it will still be necessary, even after the dismissals have taken place, for an unspecified number of the remaining employees to work a three- or four-day week.

Although the Government's policy of squeezing resources out of home consumption into exports and investment has contributed to the industry's, and British Motor Corporation's, present troubles, car sales have been falling away more markedly in overseas markets, particularly in the traditional "winter" outlets in Australia (where a further round of import cuts was announced this week). But this will not stop pressure being put on the Government—and on the company—to prevent these changes in employment taking place. Although the BMC dismissals are the biggest single batch yet, they are straightforward redundancies unclouded by emotive associations with automation that have confused the issues at Standard. But BMC might have drawn at least one conclusion from the Coventry dispute; giving its redundant workers (many of whom have lately had one extra day of leisure each week on which they might have looked for other jobs) and their unions only two days' notice of the dismissals may yet prove to be a more costly way of handling the redundancies than if the company had taken them earlier into its confidence. It might also profit from the other car manufacturers who appear to be weathering the industry's troubles less uncomfortably; a good half of the redundancies arise in the Austin part of the group and it is no secret that Austin models have lately been faring relatively much worse than other makes of car on the restricted home market.

The New Air Fares

THE new air fares announced during the week-end apply at this point exclusively to the North Atlantic route, but it is only a matter of time before they spread over the whole international network. With this prospect before them, many operators find some of the reductions more drastic than they would have liked, though the impact of the cuts is softened by being spread over approximately two years, which gives them time to reconsider the size and composition of their fleets. Airlines have been placing vast orders for aircraft to be delivered in the early 1960s. The new fares, and the new kind of traffic they are designed to attract, will force them to order additional equipment for delivery in the period 1957-59—and raises for many the serious problem of how to finance the deals. The reductions come into effect in the following stages:

October, 1956: a new 15-day return fare costing roughly 20 per cent less than the standard tourist fare will be introduced. This device was proposed first by Trans-World Airlines to attract holiday traffic across the North Atlantic and at the same time to reduce the seasonal peaks that holiday traffic causes.

April, 1957: first class fares will be cut by about 10 per cent, while a new de luxe first class service, costing roughly the same as today's standard first class, will be introduced simultaneously.

April, 1958: "third class" air travel will be promoted

with a cut of about 16 per cent in the standard tourist fares. To make this reduction pay, the airlines will have to pack the maximum number of seats into their aircraft, cut cabin service to the minimum, probably by eliminating the bar and all meals, and use the maximum number of re-fuelling stops in the North Atlantic crossing.

It is the spartan standard of this new low-rate service that makes the purchase of new equipment desirable, if not essential. As the recommendations now stand, it seems impossible to fit them into the present arrangement of carrying two classes of passenger, first and tourist, on the same aircraft. When the original tourist fares were introduced in 1952 competition between carriers produced a higher standard of comfort for passengers than was originally intended. Will the same happen to the third class service between now and its introduction in 1958? The technical regulation of the new service—what it means in terms of the size, density and pitch of seats, lunch boxes and fuelling stops—will not be worked out until the airlines meet again in the autumn.

Passing the Cap Round

DETAILS of the cuts in defence spending strongly suggest that when the Chancellor passed round his cap the Service departments put in the loose change they happened to find in their pockets. Their contributions—£17 million from the Army, £11 million from the Navy and £9 million from the RAF—represent over half of the new saving announced by Mr Macmillan, but it can hardly be called the outcome of planned and deliberate economies in defence spending. Chance plays a big part in it; so do reorganisation policies set in hand by the Services some time before Mr Macmillan asked them to put anything into the kitty. One reason why the RAF is now able to run down its spending on pay, clothing, works and supplies to the tune of more than £4 million is that its strength has fallen some few thousands below the level provided for in the 1956-57 estimates; the same is true of the Navy and the Army. Men who do not stay in the Services do not need to be fed, clothed, housed, paid or trained, but their absence is unplanned and unpremeditated and so are any savings that arise from it.

Almost all the savings contributed by the Navy arise from a running down of stocks and repair work that forms part of a streamlining programme begun in the Admiralty several months ago. The Navy expects to save some part of £3 million by slowing down the rate of delivery of its aircraft, and the balance by reducing its machinery requirements. Such reductions in stocks and stores, which make up the lion's share of the Army and Navy economies, represent a once-for-all contribution at the expense of working capital. The real cuts in planned expenditure by the Services as distinct from the civil defence departments that can be traced in the figures seem to amount to less than £5 million. These arise from the cancellation by the RAF of some of its outstanding orders for Hunters and Valiants; but these cuts had been decided upon some time earlier because the Hunter was becoming out of date and the Valiant was being replaced by the newer and bigger Victor and Vulcan bombers.

Grey Skies for Aircraft

THE bulk of defence production consists of aircraft, their engines, accessories and armaments. No overt cuts have so far been made in the aircraft production programme that cannot be wholly justified on technical grounds, but some savage root pruning has been going on inside the Ministry of Supply that could have serious consequences for the aircraft industry. During the past year a philosophy has been developing which aims at paring down the number of projects supported by the Ministry to the bare minimum required to maintain the fighting strength of the RAF. Thus, future development seems likely to be narrowed down to work on (a) a supersonic bomber to replace the V-bombers in the 1960s; (b) a basic day and all-weather fighter (the one design being developed into two marks for the separate roles); (c) a small interceptor fighter; and (d) probably less than half a dozen guided weapons for firing from air to air, ground to air, or as long-range ballistic missiles. There is little room in such a programme for ancillaries to military striking power like helicopters, or for aircraft tailored to specific applications. Under this philosophy civil airliners would get Government support only if they could first win commercial backing in firm orders from one or other of the British air corporations.

The Ministry would be wholeheartedly commended for pruning the luxuriant growth of development projects that it so happily cultivated up to a year or so ago if it were not for the fear that it is now going to the opposite extreme. For this spartan plan allows for only one of these projects in each category to be developed at any one time. The contract for the supersonic bomber, for example, is held by A. V. Roe and no similar contract is likely to be placed with any other manufacturer; the day fighter contract is held by English Electric for its P.1 fighter, and Saunders-Roe are building the only rocket interceptor that the Ministry is likely to sponsor. If there is one lesson to be learnt from the chequered record of the past ten years, it is that the most promising projects on paper can fail somewhere along the seven years or so that it takes to bring them into service. That the RAF is at least able to hold its own today is due to the fact that it had more than one type (though sometimes, indeed, far too many) under development from which to choose its final equipment. There is no reason to suggest that the Ministry's experts are any better able to judge an aircraft from the drawing board than they were a few years ago. The new system implies that they are able to choose with absolute certainty the right makers capable of producing the few types that are contemplated. Are conditions in this industry now such that it is quite safe to extinguish the last flicker of competition and rely on two or three chosen instruments?

Sugar Conference Adjourns

THE International Sugar Conference in New York adjourned last week without making much progress towards its main objective of enlarging the membership of the International Sugar Agreement. It is expected to meet again in Geneva in the first week of October. Even

after a month of discussion the quotas desired by the exporters were still much higher than the likely requirements of the free market. There were no formal negotiations on the range of prices (at present a maximum of 4.35 cents a lb for Cuba and a minimum of 3.25 cents), but possible revisions to the method of administering the price range were discussed and two proposals were left for further examination. The real need is to bring into the agreement at least two of the major exporters now outside it—Peru, Indonesia and Brazil. If that can be done—and the conference showed that the door is not yet closed—technical questions will matter little.

Who Wants Standard?

THROUGHOUT the automation dispute, and throughout Standard Motor Company's lengthy and at times difficult discussions with the unions, there has been persistent and heavy buying of Standard Motor Company's 5s. ordinary stock units. From a low point of 6s. 6d. earlier this year they touched 9s. 3d. last week before falling back to 8s. Latterly they have been about 2s. per unit above British Motor Corporation's 5s. units, whereas normally a difference of about one shilling per unit in the opposite direction is expected. About three million units out of a total of 27,700,000 have passed into the names of four nominee companies. The great majority of these purchases have been made at prices not above 7s. 3d. per unit. The buying stopped significantly when that price was passed and the last part of the advance was the work of small speculators who had read of the buying.

It is fruitless to try to nominate the buyer if it is a single buyer, but it is not quite so difficult to see why he should be buying. The Standard 5s. unit at 7s. 3d. was one of

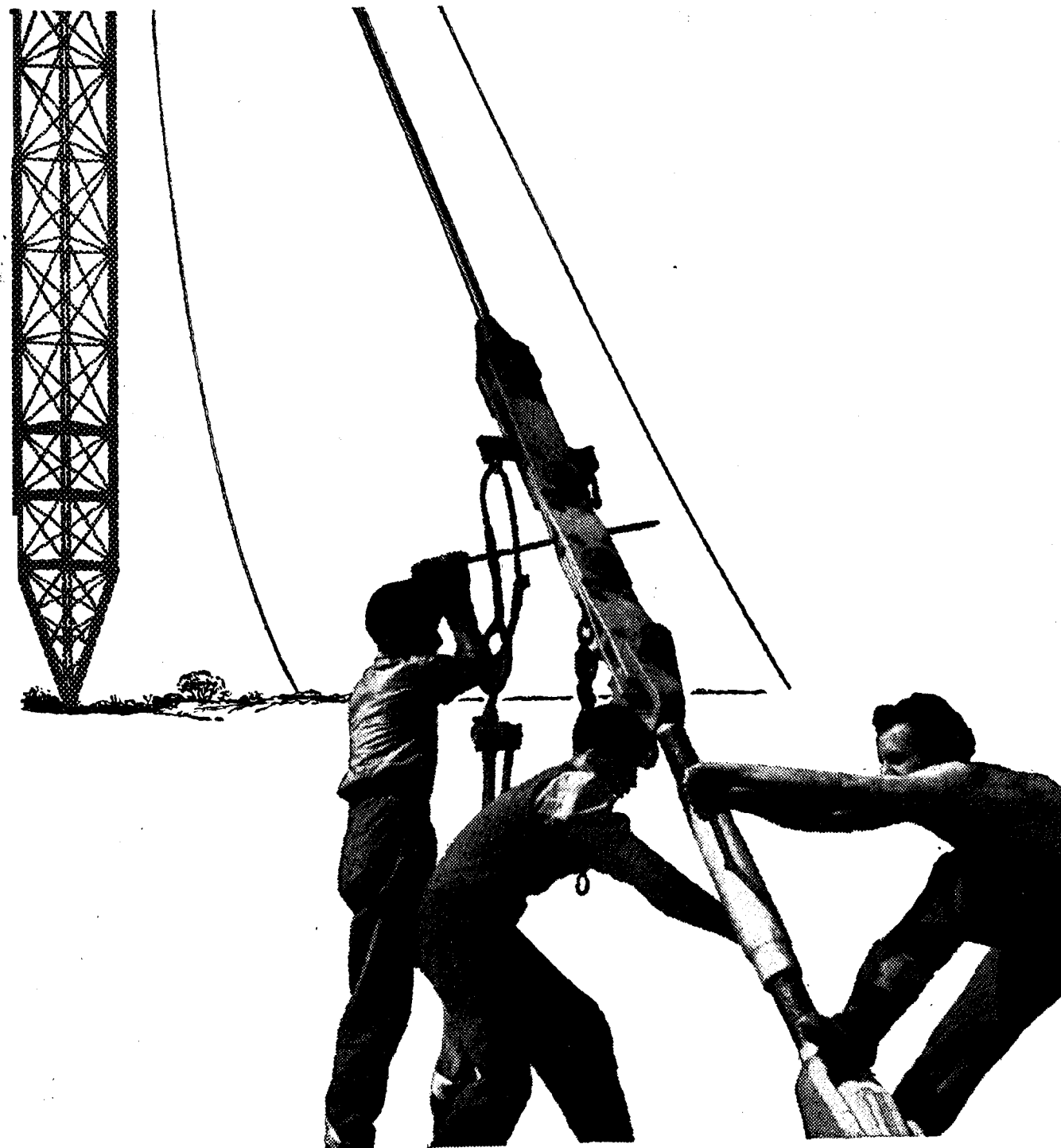
MARKET CAPITALISATION PER VEHICLE

Share price	Market capitalisation*	Vehicle output 1955	Capital price Unit of Output
Ford (£1) 33s. 3d.	67.8	356	£190
BMC (5s) 6s. 4d.	49.7	463	£106
Standard (5s) at 7s. 3d. .	13.1	171	£77
Standard (5s) at 8s.	14.0	171	£82
Rootes (4s) 5s. 6d.	7.7	120	£64

* Including preference capital at par.

the cheapest ways into motor manufacturing capacity through the market. In fact Rootes's capacity measured in the same way is a little cheaper but any substantial buying would quickly reverse the relationship. That does not make Standard the best company or the best investment for the average investor. But if the object is to control or even to influence production then Standard is a cheap purchase and one of the few companies with a substantial tractor output. The table shows the relation between vehicle production in 1955 and the capitalisation as valued through the market. It has been necessary to leave out Vauxhall, whose ordinary capital is unquoted.

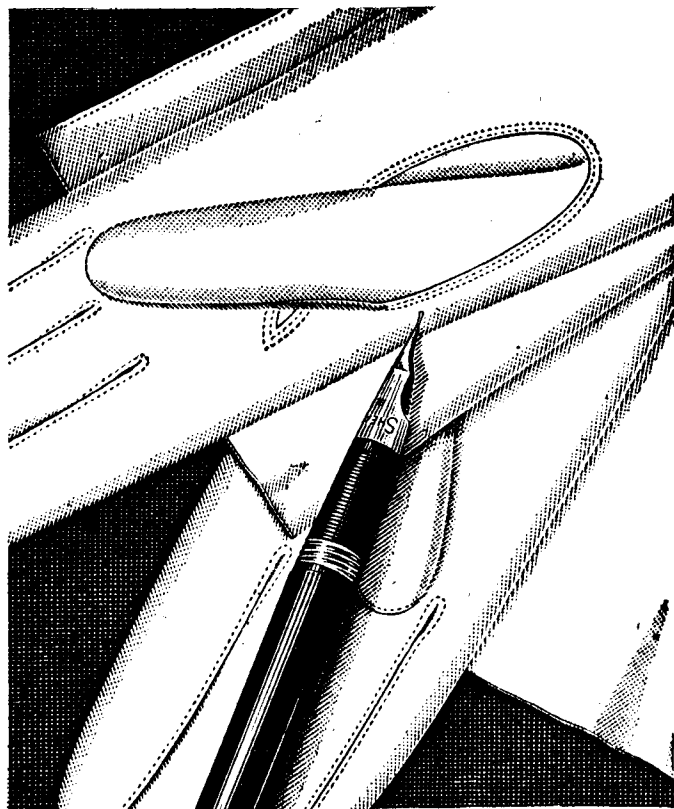
One further deduction may be made. The buyer has invested roughly £1 million and has now between 10 per



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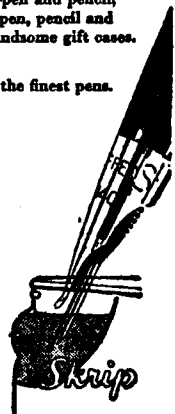
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cent and 15 per cent of the company's equity, too little to control but enough to influence. It would not have been possible to buy on that scale unless the market had been well supplied with stock. The merger with Beans Industries had produced some of those shares, because after an operation of that kind there are always a number of shareholders whose intention is to sell. It may seem surprising that anyone should be seeking control or influence over motor manufacturing capacity at a moment when most manufacturers are suffering the pangs of an adverse market, but such a buyer could only operate by taking a long view.

The Switch In Output

INDUSTRIAL output, which up to the end of April had been running fractionally above the level of a year ago, fell in May. The forecast of the index of industrial production for that month published by the Treasury this week is 135.6 against 140 for May last year (1948=100). Although the Whitsun holidays fell inside this month in both years, there was one fewer working day in May this year, so the drop in output would have been a little more than the four per cent suggested by these figures. Through the first five months of 1956 therefore the index has shown virtually no change on the corresponding months of 1955 and, seasonally corrected, it has fallen somewhat below the level reached in the second half of last year.

INDEX OF INDUSTRIAL PRODUCTION
(1948=100)

	All Industries		Manufacturing	
	1955	1956	1955	1956
January	135	140	140	143
February	140	141	145	145
March	143	140	148	145
	139	140	144	144
April	134	136	140	140
May	140	135.6	146	...
June	137	...	144	...
	137	...	143	...
	1954	1955	1954	1955
July-Sept.	122	127	125	131
Oct.-Dec.	137	143	141	148

This the Treasury Bulletin for Industry described last week as "part of the necessary cost of adjustment, as resources move from one use to another." There are signs of these shifts taking place—and indeed in the right direction. The volume of exports has grown, deliveries of plant and machinery are up, and real consumption seems to be lower. Output of coal, steel, building materials, and sulphuric acid has been rising, but steel output fell last month by 1.3 per cent—for the first time for a very long time—largely as the result of the maintenance workers' dispute.

Italy Eases Exchange Control

A MASSIVE consolidation and simplification of the law regulating exchange control in Italy has taken place. A hundred laws and innumerable decrees have been consolidated into a single basic law, with the object not only of simplifying but also of liberalising the exchange control. The main effect is that the market in foreign banknotes, which previously was restricted to Italian authorised banks, is set free. This measure, which at first sight might seem to be intended for the benefit of tourists arriving in Italy when banks are closed, has a much wider significance. The free market in foreign bank notes becomes available for repatriation of foreign capital and for remitting abroad the income earned on it. Previously foreign capital had to remain in Italy for two years before a claim for repatriation could be considered and the remittance of dividend and profits was restricted to a maximum of 8 per cent on the capital invested in Italy. These restrictions hold for capital payments made through the official market. But henceforth additional payments on capital account may be made without restriction if they are canalised through the market for foreign bank notes.

As unlimited repatriation of capital and of profits can take place through the market in foreign bank notes, the legalisation and extension of that market may ultimately lead to a considerable increase in the price of these notes in terms of Italian lira, amounting to a veiled and partial devaluation of the Italian currency. It may also deprive the Italian exchange reserve of one of its largest sources of foreign currencies. In addition to these measures, the reform of Italian exchange control will give importers into Italy greater freedom of choice in the currencies in which they can pay for their imports. Exporters from Italy have also been given a longer period within which to bring home the proceeds of their sales. Underlying these concessions is the much healthier state of the Italian balance of payments and the fact that the Italian gold and foreign exchange reserve has now risen to a record figure of just over \$1,000 million.

Two Prices for Copper

WHEN the same commodity sells for two widely different prices there is bound to be trouble. Since the Rhodesian Selection Trust group began selling copper at a fixed price the difference between that and the open market price in London has been as much as £50 a ton, and at one time it widened to £90 a ton. More often than not, the difference has been heavily in favour of RST's customers. What this has meant to a manufacturer of copper products who was obliged to pay the open market price was described this week by the chairman of Richard Johnson and Nephew.

The more Selection Trust copper a firm was able to obtain, either directly or indirectly in semi-manufactured form, the better its chances of obtaining business. Buyers obviously could not afford to overlook so substantial a gap [in prices], which often amounted to a figure very much greater than the manufacturer's cost of conversion. Old standing connections were broken up; the regular flow

of business ceased, and had it not been for the delivery factor, the dislocation would have been worse still. . . .

The effect of the two-price system has been to encourage buyers even further to hold back the placing of orders until the last possible moment, and to carry the minimum stock. This places a heavy burden on the few firms such as ours who actually finance the importing of copper. . . . Who knows when we are buying our copper for shipment how the Selection Trust and London Metal Exchange prices will compare by the time we receive it? The position may be such that the copper will be unsaleable. In recent months, as Mr M. A. T. Johnson pointed out, the boot has been on the other foot, with the open market price usually below the fixed price. Buyers in both camps will be glad when the open market price settles down, and the price fixed by the RST group keeps more closely in line with the market. Until that time comes—and it may not be very far away—each set of buyers by turns is likely to feel aggrieved.

Canadian Dollars in Demand

THE Canadian dollar has again been strong in the foreign exchange market this week rising to 1½ cents premium over the US dollar and to \$2.74½ against sterling. The latest published figures of Canadian external trade hardly fit into this picture. Both March and April returns showed Canada with the worst visible deficits for six years. Since then, however, the St. Lawrence has unfrozen and visible trade has turned strongly in Canada's favour. European buying of grain has until recently been unusually heavy. Some of the most persistent buying of Canadian grain has come from the Netherlands and significantly the guilder has been comparatively weak in recent weeks.

The most important factor in the strength of the Canadian dollar is not, however, current trade but capital transactions. Apart from the continued inflow of American funds into Canada and some transfer of capital from Europe, there has been an appreciable volume of Canadian borrowing in the United States market. The most recent shift towards easier money in the United States, in conjunction with the continuing tightness of credit in Canada, has induced some borrowers, including the Province of Columbia and the City of Montreal, to make issues in the New York market. The amount raised by these two borrowers alone was \$60 million and some of this substantial sum has recently been going across the exchanges.

"Motor Business"

The June issue of this quarterly research bulletin for the motor and allied industries includes:

- The demand for motor tyres.
- The "Specialist" car market in the United Kingdom.
- The Belgian market for Vehicles and Tractors.
- Stock and Sales Expectations: June–August.
- The Bulletin is fully illustrated by charts, amongst which are:
 - Price indexes 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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World Bank's Loan to Tata

TO establish a steel works or to expand one is the advice that the international experts are constantly giving to under-developed countries and that under-developed countries apparently love to hear. It may not always be the most sensible advice, but there is no gainsaying that India is now firmly set on the road of steel expansion and has written into its second five-year plan an increase in finished steel production from the present 1½ million tons to about 4½ million tons. So it happens that the World Bank's biggest loan yet for industry or for Asia is to the Tata Iron and Steel Company of Jamshedpur. It is the second loan that the bank has made for steel in India, for one has also been made to the Indian Iron and Steel Company. The loan to Tata is for \$75 million in various currencies and is for 15 years. It carries interest at 4½ per cent, is guaranteed by the Indian government with Baring Brothers as trustees and is secured by a first mortgage on the Tata company's immovable property. As has been arranged with many of the bank's recent loans, private American institutions—First National City Bank, the Irving Trust Company and the Manufacturers Trust Company—are participating. They take a total of \$2,355,000 of the first maturing tranche of the loan due for repayment in December 1959. The loan will cover part of the Tata company's financial needs for its second postwar expansion programme, which is to raise output from 800,000 tons of finished steel a year to 1½ million tons. The company's total investment between 1955 and 1960 is estimated at \$250 million. American engineers—the Kaiser Engineers Division of Henry J. Kaiser Company—have been engaged to design most of the plant, but the world bank states that "all orders for imported equipment are being placed on the basis of international competition to the fullest extent practicable."

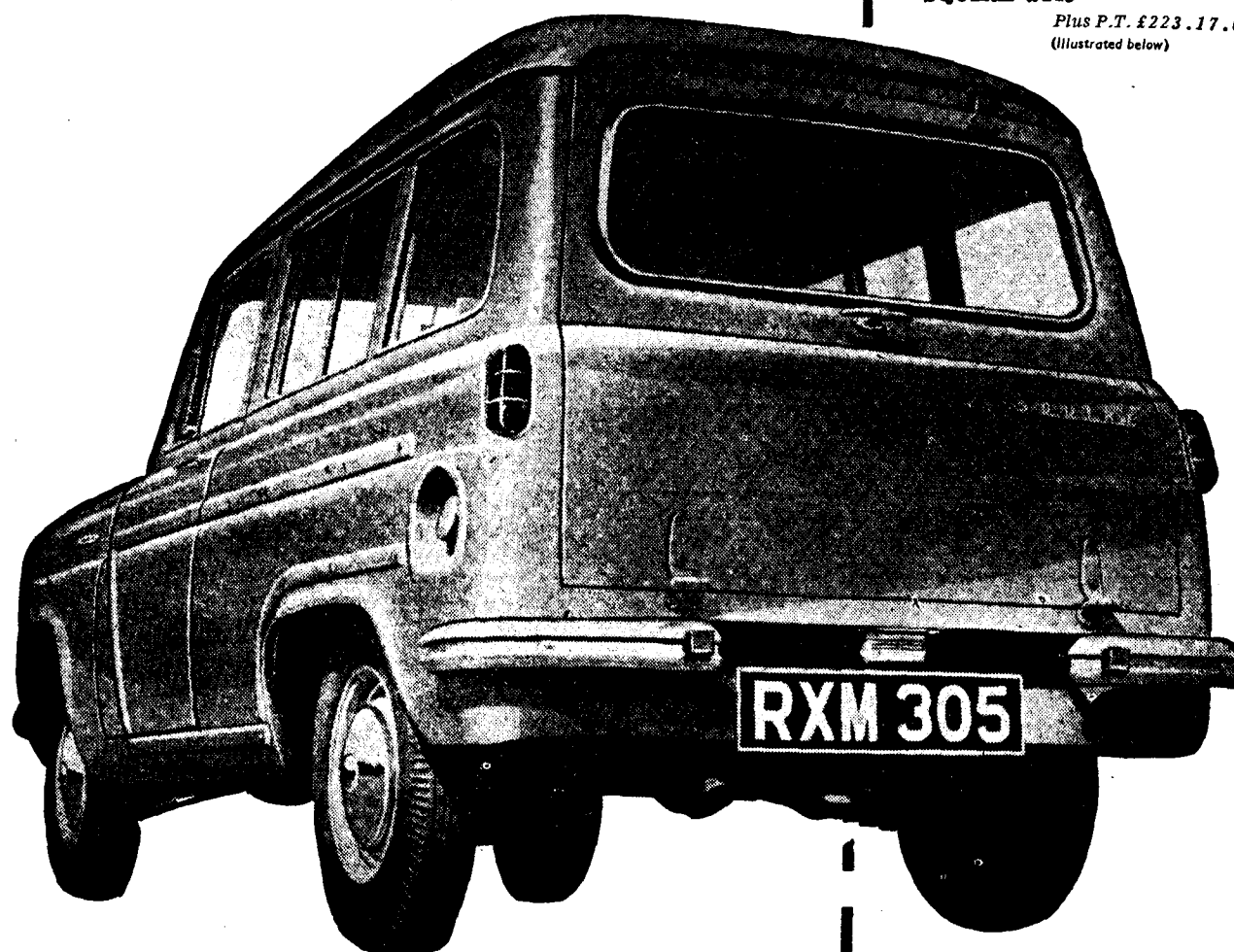
Reactor Sales to Germany

THE future of the order placed by Germany for a Merlin research reactor designed by the AEI-John Thompson Nuclear Engineering Company depends on the course of negotiations between the British and German governments about the supply of atomic fuel. A German team has recently been discussing the details of an Anglo-German atomic agreement with the Foreign Office and the German minister for atomic energy, Herr Strauss, is expected to return shortly to settle the final arrangements. The two main points in the agreement, Mr Butler told the House of Commons on Wednesday, cover the supply of fuel and the re-processing of the spent fuel elements.

The order is a land-mark in British industry's atomic progress. The first British reactor to be sold abroad, to Australia, is a copy of one of the heavy water research reactors designed at Harwell. The Merlin reactor, on the other hand, has been designed entirely by the AEI-John Thompson engineers. The original Merlin is being built for the AEI laboratories, and the German order thus ranks as the company's first commercial atomic sale. The price is about £75,000, excluding the cost of the fuel, which comes



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from the Atomic Energy Authority, and delivery has been promised within 12 months.

It is also possible that Germany, like Australia, will buy a replica of the Harwell heavy water reactor, Dido. This is a much bigger undertaking, costing between £2 and £3 million; where the small Merlin is useful for research, Dido is needed to test materials for full-scale atomic plants. These and similar sales are limited by the amount of enriched uranium that the Atomic Energy Authority can supply from its diffusion plant at Capenhurst. Merlin alone needs 30 kilograms of uranium enriched to 20 per cent of U235, and there is heavy pressure on Capenhurst to provide pure U235 for military work. The recently signed Anglo-US atomic agreement, however, now makes it possible for Britain to buy uranium enriched to as much as 20 per cent from the United States. Such a concentration is of no military use and it costs too much to be used as a fuel for commercial power station reactors. But its availability from the United States has now lifted the limit on the number of research reactors that can be sold from this country with an assurance of a regular atomic fuel supply.

"Personal Choice" and Tax Allowances

IMPORTANT implications seem to follow from the decision of Mr Justice Vaisey, dismissing an appeal by G. H. Chambers (Northiam Farms) Ltd. against a decision of the General Commissioners to reduce the gross capital allowance for a Bentley car owned by the company from £1,749 by £1,020 ss. on the ground that this car was bought not solely by consideration of the company's business but also by consideration of "personal choice." The case was brought under Section 289 of the Income Tax Act 1952 which refers only to capital allowances on plant and machinery which are used partly for business purposes and partly for private purposes; it is therefore of limited application and should be distinguished from the general rule governing the allowance of expenses under Schedule D. The Schedule D rule for the allowance of expenses in computing income tax is based on "wholly and exclusively" whereas section 289 provides for an apportionment of such expenses as may be "just and reasonable." Comparative words such as just and reasonable always cause difficulty as the excess profits tax legislation so clearly showed during the war.

In its context the provision in Section 289 seems intended to govern the apportionment of the expenses between private and business use. In the case under appeal it was agreed that one-twelfth of the gross allowance should be abated to cover the private use (as distinct from the business use) of the car. But the Revenue have for some time sought to introduce the idea of "personal choice" and to have regard to the quality of the asset as distinct from the quantity of its use. The point arose in 1952 in *Kempster v McKenzie*, where a farmer had bought an Alvis car for £1,284. The Revenue's claim was rejected by Mr Justice Danckwerts not on the ground that personal choice was irrelevant, but that there was no evidence on which the General Commissioners could find that a £1,200 car was unreasonable. This week's decision is not, at first sight, fundamentally different in its essence. What has happened,

however, is that Mr Justice Vaisey has found a £7,000 Bentley more than was acceptable and that the buyer exercised a "personal choice" beyond the strict needs of a farming business. By rejecting the tax-payer's claim he impliedly accepts the Revenue's view that Section 289 enables regard to be paid to the quality of the asset. It should be remembered that Section 289 applies only to the allowances to be given on an asset used partly for business and partly for private purposes. If an asset can be shown to be used wholly and exclusively for business purposes, no consideration of "personal choice" enters into its purchase—at least not for the purposes of income tax law.

Licensing Dollar Cotton

FROM next Wednesday, imports into Britain of United States cotton will be placed on open individual, instead of open general, licence. Imports will remain unrestricted; the reasons for the change are purely technical. In the year ending today the American government granted Britain about \$24 million under the Mutual Security Act (Public Law 665) for the purchase of cotton, and another \$5.2 million worth was provided under the Agricultural Trade Development and Assistance Act (Public Law 480) as payment for cotton textiles supplied by Britain to Pakistan. Because United States cotton has until recently been dearer than other growths, Britain has bought little this season, and importers have not always gone to the considerable trouble of documenting such purchases as have been made, so that they qualified for aid. Only about one-sixth of the funds provided this year under P.L. 665 have been used, and only about one-third of the cotton made available under P.L. 480 has been imported so far.

Dollars have therefore been spent unnecessarily, and there is a risk that future grants under P.L. 665 will be cut. Moreover exporters of cotton textiles under the triangular deal with Pakistan have had to wait for their money or pay interest charges on a bank advance. Similar delays could occur in the triangular deal just arranged with Burma (described on page 1219 of *The Economist* last week) and in those that are pending with Indonesia and with Pakistan again. Henceforth importers will be obliged to document their purchases so that American assistance will be used to the fullest possible extent. The new American selling policy for raw cotton, whatever its demerits, should at least ensure that aid is not wasted in future.

Rising Oil Consumption

THE continued sharp increase in the consumption of petroleum products in Britain—figures for the first quarter of 1956 are 12 per cent higher than for the corresponding quarter last year—was due mainly to the rising demand for fuel oil, deliveries of which rose by almost a quarter. The 6.5 per cent rise in motor spirit deliveries clearly reflected the demand for premium grades, which rose by over 13 per cent, compared with a rise of less than

one per cent for the regular grades; premium grades accounted for nearly half of all petrol deliveries. The consumption of derv fuel, increasingly preferred to petrol in

U.K. DELIVERIES INTO INLAND CONSUMPTION OF PETROLEUM PRODUCTS— JANUARY-MARCH

	1955 ('000 tons)	1956 ('000 tons)
Motor Spirit	1,319	1,406
Burning Oil	277	337
Vaporising Oil	153	128
Derv Fuel	363	421
Gas/Diesel Oil	653	711
Fuel Oil	1,530	1,896
All other products	1,542	1,630
Total inland consumption	5,837	6,529

Source: Petroleum Information Bureau.

lorries, and burning oil deliveries, which were boosted by the cold weather in February, also rose faster than the average for all products.

Looking at Pension Funds

THE Association of Superannuation and Pensions Funds has published some statistics of the pensions funds movement drawn from answers to a questionnaire sent to its members in May, 1954. The statistics cover 682 privately administered schemes and 220 life office schemes; they analyse by percentages about 80 per cent of the member funds of the Association, which includes between one-sixth and one-fifth of all the funds in this country, though its members are responsible for about one-half of all pensions funds assets. The statistics are thus strongly influenced by the big privately administered schemes of the large companies, nationalised industries and co-operative societies.

Total accumulated funds of the 682 private schemes in 1954 amounted to about £716 million and the total annual contributions to them were about £75 million (£49 million from employers and £26 million from employees). The 902

schemes covered 1,168,000 men and 314,000 women, and 168,000 people were already receiving pensions; the division of the funds by the numbers covered for retirement benefits, shown in one table, emphasises that the life offices have undertaken a higher proportion of the work of the smaller funds, though the Association's figures are not perhaps

MEMBERSHIP OF 902 FUNDS

Privately administered schemes:—			682 schemes
Up to 500 members	49	%	
501—1,000	21	%	
1,001—5,000	22	%	
5,001—15,000	5	%	
Over 15,000	3	%	
Life Office schemes:—			220 schemes
Up to 500 members	76	%	
501—1,000	10	%	
1,001—5,000	14	%	
Over 5,000	...	%	

so fully representative of the smaller funds. Nevertheless, they give some impression of the work that independent consulting actuaries have done in assisting the private funds. The chart divides

Percentage Distribution	902 Pensions Funds			282 Post-war Pensions Funds						
	Private	Life office	Combined	Private	Life office	Combined	Office staff only	Works staff only	Office and works staff	Combined
Employer and employee contributing equally	21	1	22	13	1	14	9	1	4	14
Employer contributing more than employee	40	18	58	35	31	66	41	5	21	67
Employee contributing more than employer	9	3	12	6	6	10	6	...	4	9
Employer paying all the contributions	6	2	7	6	4	10	6	1	3	10
No information	1	...	1	...	...	...	...	...	...	...

A World Food Reserve?

THE cruel paradox of privation amid plenty troubles the conscience of rich nations and drives the needy to despair. The problem is always prominent in the United Nations' discussions and has been studied in detail by the Food and Agriculture Organisation. But action lags, the surpluses grow still larger, and the United States once more adopts the dismal expedient of paying farmers not to raise corn. Eighteen months ago the United Nations' General Assembly tried a new approach: it requested the FAO to report on the feasibility of a world food reserve that would have four main objects:

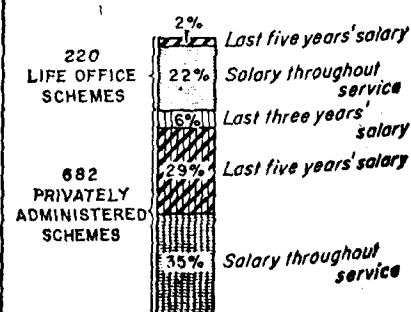
- to raise low levels of food production and consumption, and fight chronic malnutrition;
- to relieve famine and other emergency situations;
- to counteract excessive fluctuations in commodity prices;
- to promote the rational disposal of intermittent agricultural surpluses.

It is tempting to suppose that a world food reserve could tackle all these four objectives. But as the painstaking

the 902 funds according to the basis used for calculating retirement benefits.

The sources of contributions, shown in the larger table, are muffled by blanket percentages. But the Association does make the additional point that the 50-50 joint contributory schemes are popular with the co-operative societies and operate for 30 per cent by number of the co-operative schemes analysed, against 22 per cent of the number of industrial and commercial funds. Similarly, 58 per cent of the number of co-operative society schemes consists of funds where the employer contributes the bigger slice, against 13 per cent in other industrial and commercial schemes. But the 282 funds started since the war show a growing tendency, notably in the life office schemes, for the employer to contribute more than the employee. These figures whet the appetite for a further and more comprehensive examination of the pensions movement; already it controls about £2,000 million of investments and it is wielding ever-increasing importance both for the Stock Exchange and for the economy.

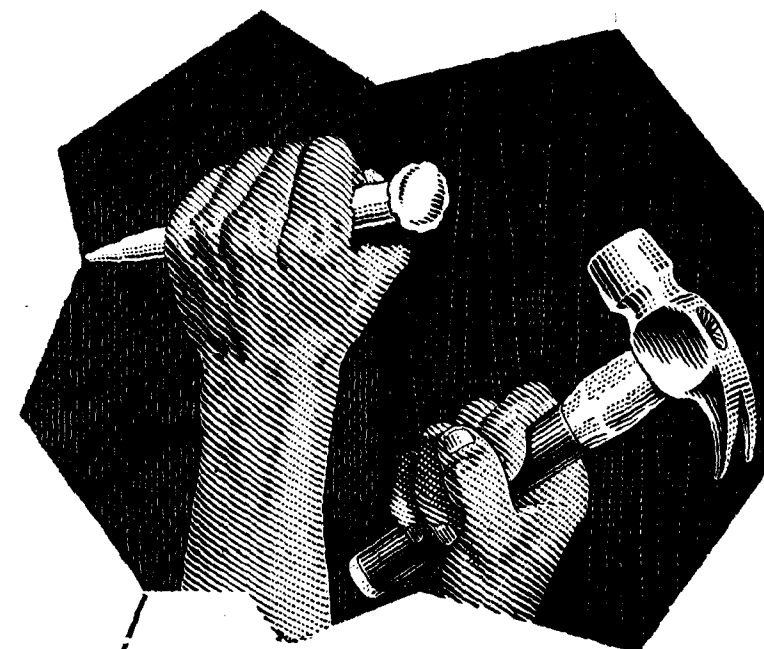
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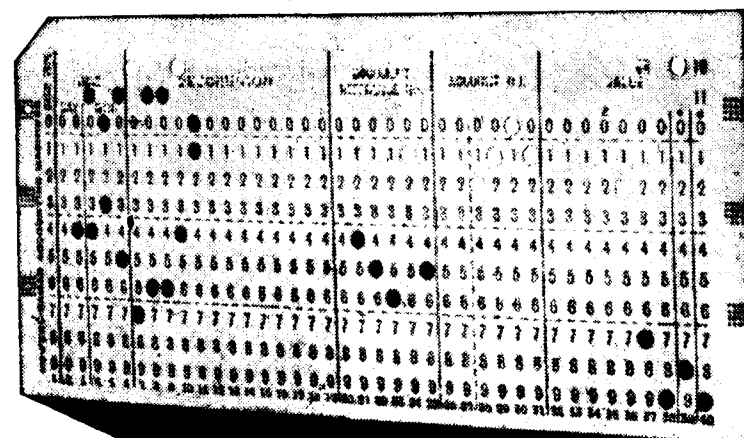
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and commendably realistic report now published by FAO* shows, they tend to be mutually conflicting.

Malnutrition, it points out, is caused by poverty, which can only be overcome by economic development. It could not be cured by a world food reserve operating on a self-financing basis and acting as a buffer stock at the same time. The reserves would soon be depleted unless they were constantly replenished by gifts in money or in kind, or unless the food supplied to needy countries could be paid for in part from the additional economic development that the food could help to finance. Moreover the operation of a reserve as a means of stabilising prices poses great political and practical difficulties. As to famine relief, the report concludes that the main problem is not to ensure that food stocks are available, but to organise in advance the supply of that small portion of total stocks that might be needed. The speed and flexibility needed in relief operations could be provided more efficiently by an international relief fund with sufficient resources to make *ad hoc* purchases as required. The report suggests that the needy nations could best be helped by the establishment of a "world food capital fund," which could be linked with the proposed Special United Nations Fund for Economic Development (Sunfed), and which could use surpluses of food to stimulate their economic development. Agreement on the use of surpluses in this way could also diminish the danger of disruptive disposals.

Potash Agreement Near

IT seems that at long last agreement on the resumption of the service on the Potash Syndicate of Germany's bonds has been reached. An offer was made as long ago as February, 1954, to resume the service on the bonds, on terms not quite equivalent to those applied to the German state bonds. Detailed negotiations between the Potash Syndicate, Messrs. J. Henry Schroeder, the Royal Exchange Assurance and the bondholders' committee for putting it into effect have been protracted; legal processes have been involved in several countries, and in this country even a special Act of Parliament, under which a special meeting of bondholders is required to be called to approve the agreement.

Investors, assuming that that meeting must be near and the resumption of interest also close at hand, have been buying the potash bonds and the two 7 per cent tranches have this month risen from £237½ to £256 while the series "C" 6½ per cent bonds have risen from about £216 to £229½ in the same period. The bonds are not easy to value, especially when the full details of the agreement have still to be revealed, and the first actual cash receipts have still to come, but it is arguable that at current prices they may be fully valued. The £100 bond was reduced to £79 11s. nominal by a £35 10s. cash payment of 1951 deemed to have reduced the outstanding capital by £20 9s., but the arrears and interest on arrears since 1940 are added to the bonds. The nominal rates of interest are to be cut from 7 per cent to 5½ per cent and from 6½ per cent to 4½ per cent, but investors receive the benefit of a dollar clause at \$4.86 to the £1 which for British residents means that the apparent rate of interest can be multiplied by 1½.

* Functions of a World Food Reserve—Scope and Limitations; HMSO, 5s.

Help for Jute Goods

THE Indian Jute Mills' Association, with the government's approval, has now decided that half the looms brought back into production last February will be re-sealed on July 16th. The looms to be stopped account for 2½ per cent of the industry's total looms, making 7½ per cent stopped in all, and output should fall by some 2,000 tons to 95,500 tons a month. The mills will be thankful for this small mercy, for many have been producing at a loss. The large orders that were expected from Russia have not yet appeared, and Argentina, a major customer, is buying less this year than last. Stocks of jute goods have been rising, and prices have fallen; since March a 10-oz 40-in. hessian cloth, for example, has dropped by 4s. to about 58s. per 100 yards, fob Calcutta, and weakness in prices has itself encouraged consumers to hold off. It remains to be seen whether the cut in output is enough. The market is evidently sceptical, for prices have hardly changed.

SHORTER NOTES

The regular inquiry into industry's investment intentions begun last year by the Board of Trade is being supplemented by a special preliminary survey of investment plans for 1957. The 600 firms in the sample have been asked to list expected purchases of new (but not second-hand) buildings, new and second-hand plant, machinery and vehicles. No allowance is to be made for sales of assets as this will be done later by the Board of Trade on the basis of the latest production census. The forecast of investment by all manufacturing concerns in 1956 (on the basis of last September's inquiry) was 17 per cent higher than the forecast for 1955.

★

The Australian government has announced further restrictions on imports, designed to reduce imports by £32 million in a full year. Imports of fully assembled motor vehicles are to be cut by 50 per cent of the current rate, and unassembled vehicles by 30 per cent.

★

Associated British Picture Corporation announces a final dividend of 10 per cent making a total of 20 per cent for the year ended March 31st compared with 20 per cent and a bonus of 10 per cent in the previous year. Group trading profits fell from £2,988,093 to £2,024,948 and net profits applicable to the parent from £1,011,013 to £570,704. A reserve of £750,000 (including a transfer of £650,000 from the general reserve) is created against initial losses subsequent to March 31st this year in the television subsidiary.

★

The Anglo-Hungarian financial and trade agreement signed this week provides for the payment by Hungary of £4,050,000 in full and final settlement of certain British claims, and Hungary will pay £450,000 to short-term creditors and Hungarian Treasury bill-holders. Payment will be in annual instalments beginning on March 31, 1957. The rights of bond-holders are not affected by this agreement, which will be published as a White Paper.

Company Notes

METAL BOX. By paying an ordinary dividend of 10 per cent, the directors of Metal Box Company effectively left the distribution unchanged. The dividend was paid on a capital of £13,098,855 as increased by a free scrip issue of £5,374,474 and a cash issue—at £2 a share—of £2,349,907. On this dividend the £1 shares yield only £3 17s. at a price of 52s. xd. The yield is low because the net dividend absorbs £753,184 from a net income three times greater. But this is not the only reason. Investors have been attracted to the shares by their growth potentialities. They have a chance of assessing these in the company's full report, which crammed with charts and figures serves as a model of its kind.

If they look first at the results of the year to March 31st, they will note that the sales and investment income of the home and overseas group has risen from £52½ million to £61½ million, that the trading profit of the home group has gone up from £3,586,818 to £4,054,755 and the profit of the overseas group from £1,306,653 to

Sales and income:—	Years to March 31, 1955	1956
Home and overseas groups:—	£000's	£000's
Sales, etc.	52,603	61,225
Profit after tax	2,472	3,005
Home group:—		
Sales, etc.	41,166	47,422
Supplies, services, etc.	27,844	31,941
Wages	7,848	9,170
Other employee payments	1,057	1,249
Depreciation	830	1,007
Trading profit	3,587	4,055
Taxation	1,677	1,862
Net income	1,932	2,178
Retained profits	1,247	1,348

£1 ordinary share at 52s. xd. yields £3 17s. per cent.

£1,708,158. Then they should note from the report of the chairman, Sir Robert Barlow, that each of the company's "product groups" at home and each of the subsidiary companies of Metal Box Overseas has made a contribution to the improvement. One limiting factor is the supply of tinplate. Sir Robert describes supplies in 1955-56 as adequate, but though the second mill at Velindre is expected to start operating very soon, he says that "unless the hand mills can also be kept in full production it is open to much doubt whether the supplies from South Wales will be adequate or whether importations will need to be resumed next year."

The company's progress, measured by an increase in sales of £45 million in the last ten years, reflects the £21½ million spent on building and equipment in that period. The group still has outstanding capital commitments at home of £5,200,000, the bulk of which will be spent this year, but which will not become "fully profit earning during the year." Growth makes continual demands on capital and Metal Box's market is still expanding. Pre-packaging, as is popular in the United States, may grow steadily in popularity in this country and in overseas

countries improvements in living standards should bring more business to the company's local factories. Shareholders may well be justified in basing their assessment on the assumption that long-term growth is still in prospect. But immediately, Sir Robert says, "it will be difficult to maintain our percentage of profit, but we hope that increased volume will offset lower profit margins."

BRITISH NYLON SPINNERS.

The public is interested in British Nylon Spinners only indirectly. Its capital is held half and half by Courtaulds and Imperial Chemical Industries. This indirect holding has now become important to the shareholders of Courtaulds: even for ICI the half share is not chicken feed. British Nylon Spinners returns a profit before tax in 1955 of £10,837,966, compared with £7,291,584, and the net figure after tax was £5,392,966, compared with £3,546,548. Thus Courtaulds' share of the Nylon profit would approximate to the cost of Courtaulds' own 10 per cent dividend and ICI's half would equal roughly a third of the 10 per cent dividend that ICI pays on its £142 million of ordinary capital.

That may be an extreme expression of the importance of British Nylon's earnings. Neither parent consolidates them, for British Nylon Spinners is not a subsidiary. Nor is there any likelihood that in the near future it will be able to pay out all its earnings as dividend. Big expansion of nylon productive capacity will still have to be paid for out of retained earnings, and will no doubt be occasionally matched by increases in the issued nominal capital as it was a year ago when the ranking capital was raised from £8 million to £12 million by a 50 per cent free scrip issue. This year the dividend is 20 per cent, compared with 25 per cent, but it is in effect modestly increased, since it is paid on the larger capital. The cost is £1,380,000, against £1,100,000, and £4 million, against £2 million, is added to reserve. The growth possibilities do not yet appear to have been exhausted. Last year's results must include a full year's income from Pontypool, where production has been running at over 30 million lb of nylon a year; they include a little, but nothing like maximum potential, from Doncaster, where production of nylon staple was started on a small scale a year ago, but production there is still far short of maximum capacity. Nothing yet save small distributors' earnings has come from Australia. Last year's profits were earned in spite of price reductions of around 10 per cent in continuous filament and around 5 per cent in staple fibre made last October to keep British nylon prices as a whole low in relation to nylon prices in other countries. Output must expand further and as it rises there will gradually be less certainty of unsatisfied demand for

the product; but there must be a long way to go before the company saturates its market.

BLEACHERS' ASSOCIATION. Investors must get used to lower profits from the cotton industry this year. Cotton price uncertainty, Indian and Hongkong competition, and the fall in exports call for a new yardstick to measure the company results. By that new yardstick the results of the Bleachers' Association may be judged not bad. The parent company's trading profit for the year ended March 31st was naturally lower, amounting to £760,466, against £1,158,658, but investment income was higher at £329,952, against £127,745. The net taxed profit was moderately lower at £360,784, compared with £414,840, and the total distribution of 12½ per cent (a dividend of 10 per cent and a bonus of 2½ per cent) is unchanged.

What the group has done, as the chairman, Mr Philip L. Wright, explains, is to extend its activities outside the textile field. Beyond mentioning one of these ventures—Greenwich Plastics—he has little, perhaps too little, to say about the group's non-textile activities. But the

Consolidated earnings:—	Years to March 31, 1955	1956
Trading profit	1,300,627	883,690
Other income	112,162	193,010
Depreciation	153,251	163,208
Debt interest	101,250	101,250
Taxation	522,182	371,119
Net profit	481,172	317,410
Tax refund	Nil	75,000
Ordinary dividend	137,236	137,236
Ordinary Dividend (per cent)	12½	12½
Retained profits	269,979	176,506
Consolidated balance sheet:—		
Net fixed assets	5,857,255	6,100,586
Net current assets	3,806,966	3,564,903
Cash & T.R.C.'s	1,208,319	1,923,319
Reserves	2,796,374	3,007,556
Debt and loans	2,494,534	2,493,581
Ordinary capital	1,909,368	1,909,368

10s. ordinary unit at 9s. 10½d. yields £12 13s. per cent.

principles on which the board is working are made clear enough. Some contraction in the cotton textile industry is accepted as inevitable and the policy is gradually to buttress the company's textile activities with other ventures. It is an obvious tactic for the cotton textile industry and might be more widely copied. It is encouraging to know that other companies are taking similar action. Bradford Dyers recently took a big interest in the production of non-woven textiles and British Cotton and Wool Dyers last week broadened its articles to permit it to undertake a wide range of non-dyeing and even non-textile activities as though "Slubbers" is under less immediate pressure than Bleachers, for as the chairman, Mr Peter Caldwell, shows, the woollen side of its activities has been far less depressing than the cotton side. Indeed, the net profit for the year ended March 31st was slightly up at £47,943, compared with £40,967, the dividend remaining unchanged at 6½ per cent.

Though Mr Wright sees the need for Bleachers to widen its activities, he does not tie that view to the present recession in Lancashire. He does not believe that the "present very reduced activity will persist throughout the year." Nor does he accept as inevitable the open door policy to Indian and Hongkong cloth. On the contrary, he is strongly—and obstinately—protectionist, believing that eventually restrictive action will be taken against these cheap imports. The choice as he sees it is between the "haphazard contraction of the industry which is now going on" and a "more calculated reorientation." For shareholders the moral of what the board is doing seems clear. Investment income from non-textile sources is already beginning to rise and must doubtless rise further, but the process will take time and textiles are still much the group's largest source of income. Earnings therefore remain vulnerable. Meanwhile the company will have to retain large sums from its earnings for investment in the new fields. On last year's earnings the 12½ per cent distribution was still well covered, though profit retentions were lower than in the previous year despite a tax refund of £75,000. It looks as though the scope for dividend increases, even if the chairman is right in thinking that the present recession may ease, is limited.

ALBERT E. REED. In Great Britain, where it is not normally necessary to instal pulping plant, a machine—complete with ancillary equipment—capable of producing 60,000 tons of paper and board costs between £4½ and £5 million. It is a figure that investors should keep in mind in looking at the cash issue of £6,571,970 of ordinary shares at par by Albert E. Reed. The figure, too, must be borne in mind in weighing the dividend payment—£944,721 in 1955-56—against retained earnings of over £2½ million and a depreciation provision of over £750,000. It is a figure, moreover, which goes a long way to explaining why over the next four or five years the Reed group will spend about £25 million on capital account. Most of that sum will come from ploughed back profits.

The group is prepared to spend that sum because it feels that the demand for paper products "is likely to go on increasing for as long as one can foresee." All possible steps are being taken to ensure raw material supplies and productive capacity to meet the increasing demand. Better living standards and greater literacy should ensure the growth of the market. Albert E. Reed is preparing to compete in this market not only by adding to its own capacity but also by adding to its interests in other paper-making concerns, of which its investment in Tasman Paper and Pulp is probably the most significant.

Although the Reed group produces some newsprint, it is not really challenging Bowater Paper's predominance in this

	Years to March 31, 1955	1956
Consolidated earnings:—		
Profit before tax	6,174,244	6,671,182
Taxation	3,058,017	3,100,459
Net profit	3,116,227	3,570,723
Ordinary dividends	712,323	944,721
Retained profits	2,366,217	2,587,190
Consolidated balance sheet:—		
Net fixed assets	6,765,936	8,749,876
Trade investments	950,154	2,533,032
Net current assets	12,045,048	10,837,118
Stocks	6,870,225	8,372,718
Liquid assets	5,219,232	2,154,678
Reserves	9,639,155	12,266,863
Ordinary capital	6,562,668	6,571,970

field. Instead it is concentrating on wrapping and other papers. The group already looms large in this industry. It is, Lord Cornwallis says, the largest purchaser of woodpulp in the world. Of the annual production of 3½ million tons of paper and board in this country it produces over 12 per cent—and this represents only half of its business. The other half is concerned with the conversion of paper for various purposes. It converts over 200,000 tons a year and manufactures at least 30 per cent of all the corrugated cases and multi-wall sacks made in this country. Against this background investors must place the addition of £2 million to fixed assets, the advance of about £500,000 in trading profits, and the forecast dividend of 16 per cent on the new capital of £13,143,940. On that dividend the £1 ordinary units yield £5 9s. per cent at the current price of 58s.

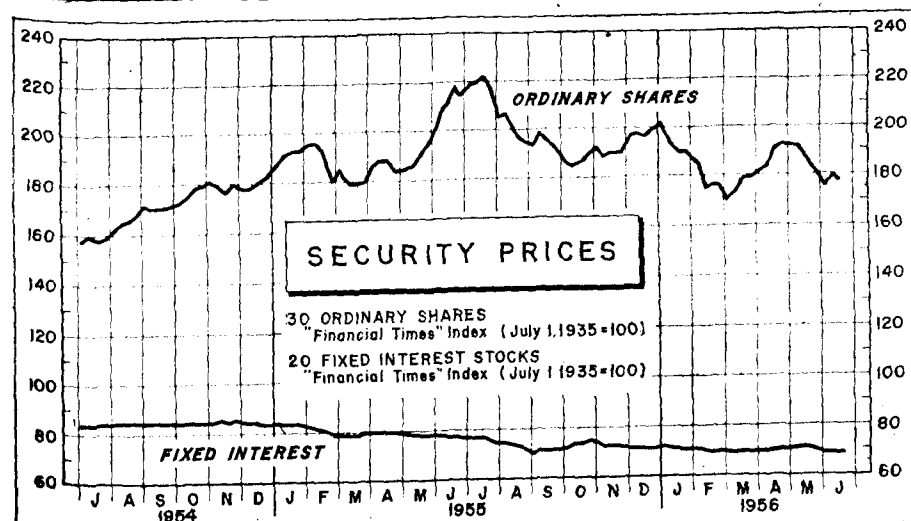
LONDON STOCK EXCHANGE

Next Account begins: July 4th
Next Contango Day: July 4th
Next Settlement Day: July 10th

GILT-EDGED stocks were exceptionally weak on Friday of last week, when 3 per cent Redemption 1986/96 and 3 per cent Treasury lost £1 and medium-dated stocks were often 10s. lower. The *Financial Times* index of Government securities fell to 84.53, a fraction higher than the lowest point recorded. Buyers came in on Monday and the index recovered to 84.94, but the subsequent decline of sterling caused further losses. Short-dated issues remained firm despite the raising of the Treasury bill rate last week. On Wednesday the index stood at 84.70. Throughout the week industrial stocks were making small gains until news of the dismissal of motor workers checked the recovery on Wednesday, and on Thursday the market fell further. Oil shares were again the most active market, British Petroleum advanced a further 23s. 9d. to 180s. 7½d. Foreign bonds were firm; Greek, Hungarian and Czech issues improved and Potash Syndicate were again higher.

Among the breweries, Bass declined to 110s. xd, but Watney rose 2s. 3d. to 56s. xd. Teacher reached 30s. Associated Cement gained 2s. 3d. to 103s. 6d., but English China Clays lost 2s. to 36s. 9d. BSA fell 2s. 6d. to 25s. 6d. following the reduction in the interim dividend, and the dismissals at BMC caused a fall to 6s. 4½d. Standard receded to 8s. after reaching 9s. 3d. Courtaulds recovered 1s. 9d. to 35s. 6d. xd following the announcement of higher profits from British Nylon Spinners, but British Celanese lost 3d. to 17s. xd. Paper shares weakened; Bowater fell a further 3s. 3d. to 49s. 3d. and Wiggins Teape 3s. 6d. to 52s. Steel shares were near their lowest points for this year, Dorman Long losing 7½d. to 28s. 9d.

Kaffirs eased on Tuesday after a strong advance, but most of the gains were held. President Brand rose 2s. 9d. to 59s. 3d. and Vaal Reefs 2s. 3d. to 33s. 3d. Harmony were 1s. higher at 25s. 3d. Coppers were firmer, Rhokana gaining 1 to 38, but movements in base metals were small.



FINANCIAL TIMES INDICES

1956	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
June 21...	177.5	94.55	4.76	6.00
" 22...	178.2	94.23	4.78	5.97
" 25...	178.9	94.26	4.75	5.95
" 26...	179.5	94.12	4.76	5.93
" 27...	178.2	94.03	4.78	5.98
1956, High.	203.5	99.37	Total bargains 1956	
" Low.	169.7	94.03		
1955, High.	223.9	115.97	June 21	8,454
" Low.	175.7	98.23	" 22	8,335
			" 25	10,225
			" 26	8,585
			" 27	8,811

* July 1, 1935 = 100. † 1928 = 100.

Statistics

BRITISH		OVERSEAS	
Prices and Wages.....	This week	Western Europe :	
Production and Consumption.....	June 9th	Production and Trade.....	This week
Manpower.....	June 16th	British Commonwealth	June 9th
External Trade.....	June 23rd	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	June 16th
Industrial Profits	April 14th	United States	June 23rd
	World Trade.....	April 14th	

	Unit	1953	1954	1955	1955			1956			
		mid-June			June 14	June 21	June 28	June 5	June 12	June 19	June 26
WORLD PRICES											
Commodity Price Indicator: (1)											
All items	1952=100	89	99	93	93	95	95	90	90	90	90
Food	"	93.2	119.6	92.0	91.4	93.0	93.9	90.8	91.4	91.3	92.1
Fibres	"	87.0	88.7	83.2	82.9	83.2	82.7	80.5	80.6	80.6	81.0
Metals	"	80.0	81.5	95.7	95.4	96.2	95.2	94.4	95.7	94.3	93.6
Other items	"	95.9	93.5	106.9	106.3	110.7	112.1	94.9	93.3	95.3	95.7
BRITISH WHOLESALE PRICES											
Materials used in:											
Non-food manufacturing (excl. fuel)	June 30, 1949=100	145.8	143.5	152.4	151.0	149.4	148.9	154.9	155.6	154.9	155.8
Mechanical engineering	"	145.7	150.4	168.1	164.3	164.4	162.5	175.6	177.3	175.9	177.0
Electrical machinery	"	155.2	160.5	185.7	184.2	182.3	178.2	196.2	199.9	195.1	189.7
Building and civil engineering	"	130.4	131.4	137.3	135.2	136.0	136.0	141.2	141.9	141.4	141.7
House building	"	128.7	130.7	137.1	134.4	135.5	135.6	141.1	141.7	141.3	141.2
Products of:											
Non-food manufacturing (excl. fuel)	"	125.2	125.5	129.6	128.1	128.4	128.8	133.7	134.7	135.0	135.3
Food manufacturing	"	138.6	139.1	143.9	143.7	144.0	144.1	144.2	146.5	146.8	147.0
Commodities:											
Cotton, raw (1)	"	140.6	155.0	149.7	153.9	150.6	150.7	142.7	148.3	150.6	164.6
Wool, raw	"	171.1	160.8	142.0	149.6	148.1	148.9	134.1	131.5	136.1	141.6
Rubber, No. 1 RSS, one month future	"	199.1	197.9	329.9	259.1	261.7	267.5	302.0	281.1	268.4	247.5
Softwood, imported	"	144.1	145.0	154.9	153.9	153.9	153.9	156.1	156.7	156.1	155.8
Copper, ex-warehouse (2)	"	217.6	213.4	295.7	301.6	281.8	265.7	336.0	351.3	324.0	289.1
UK RETAIL PRICES											
Interim Index:											
All items	June 17, 1947=100	140	143	149	146	147	147	153	155	158	157
All items	Jan. 15, 1952=100	105.8	107.7	112.6	110.2	110.8	110.6	100.0	101.3	102.7	102.5
Food	"	111.3	114.2	122.8	118.6	119.9	119.8	99.6	102.9	106.0	104.2
All items	1938=100	228	232	242	237	238	238	249	252	256	255
Food	"	233	239	257	248	251	251	262	271	279	274
Rent and rates	"	129	134	138	136	137	137	142	142	145	145
Clothing	"	253	255	256	255	255	255	262	262	262	262
Fuel and light	"	207	216	228	223	216	216	248	248	248	243
Household durable goods	"	286	284	288	284	284	285	305	306	308	309
Drink	"	256	257	260	260	260	260	261	261	261	263
Tobacco	"	387	387	389	387	387	387	397	397	397	418
Purchasing power of £ (based on all consumer spending)	1938=100	42	41	39	40	40	40	38	38	37	37
UK TERMS OF TRADE											
Import prices:											
All items	1954=100	101	100	103	104	103	103	105	106	106	106
Food, drink and tobacco	"	97	100	101	103	101	101	100	99	101	103
Basic materials	"	103	100	104	104	104	104	105	106	106	105
Export prices:											
All items	"	101	100	102	101	101	101	105	105	104	105
All manufactures	"	101	100	102	101	101	101	105	105	104	105
Metals	"	105	100	104	101	102	103	110	111	111	111
Engineering products	"	100	100	103	101	102	101	104	105	104	105
Textiles (excluding clothing)	"	99	100	100	101	101	100	100	100	98	99
Terms of trade:	"	100	100	101	103	102	102	100	101	102	101
Ratio of import to export prices	"	100	100	101	103	102	102	100	101	102	101
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	77.5	86.1	127.7	113.7	110.2	122.6	140.2	147.2	151.6	162.2
UK WAGES											
Weekly wage rates:											
All workers	June 30, 1947=100	136	142	151	149	152	152	158	162	163	164
Men	"	134	140	150	147	150	151	156	160	162	162
Women	"	140	146	155	153	154	154	160	164	165	165
Weekly earnings: (2)											
All workers	s. d.	160 1	171 9	187 2	...	182 3	...	...	...	...	...
Men	"	189 2	204 5	222 11	...	217 5	...	...	...	...	...
Women	"	102 5	108 2	115 5	...	112 5	...	...	...	...	...
Oct.											
All workers	1938=100	301	323	351	...	342	...	...	...	...	...
Men	"	274	296	323	...	315	...	...	...	...	...
Women	"	315	333	355	...	346	...	...	...	...	...

(¹) From August, 1953, the index has been revised to show a more representative wheat price. (²) Figures up to July, 1953, relate to delivered prices and subsequently to ex-warehouse prices of H.C. electrolytic copper; from May, 1955, onwards the proportion of copper sold at fixed prices has been taken into account. (³) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (⁴) New series based on January 17, 1956=100. (⁵) Surveys made twice a year; annual figures relate to October survey. (⁶) Revised series based on Liverpool spot market prices, as from July 1, 1954. (⁷) Revised figure for fibres on May 29th was 81.0.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION⁽¹⁾ (1953 = 100)												
1948	54	87	82	79	112	122	70	62	70	70	90	69
1954	114	106	109	109	112	122	102	109	111	109	104	109
1955	133	116	111	120	129	130	105	118	119	113	110	109
1955, November	144	124	118	131	147	132	108	120	126	123	122	109
December	133	127	110	127	138	131	108	122	124	112	116	109
1956, January	126	121	109	130	129	130	108	120	117	123	114	109
February	130	...	111	130	127	125	...	114	112	141	112	109
March	...	...	107	134	130	132	...	...	128	115	118	109

Monthly averages or calendar months	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. lira
IMPORTS (c.i.f.)												
1948	243	7,249	285	56.08	264	152	11.36	70.36	414	310	413	64.8
1954	1,416	10,561	674	123.11	1,601	825	14.98	127.04	905	606	766	111.6
1955	1,922	11,790	678	136.74	2,029	955	17.03	140.93	1,016	648	859	116.1
1955, November	2,192	12,264	718	140.07	2,132	1,003	18.54	152.45	1,145	577	992	107.3
December	2,357	13,172	761	176.70	2,452	1,076	17.64	142.21	1,048	685	909	117.9
1956, January	1,910	12,347	764	124.55	2,151	919	18.18	162.44	1,154	801	937	107.1
February	1,731	...	590	145.86	1,775	1,088	17.92	143.50	996	595	783	107.1
March	2,171	...	669	172.29	2,164	...	16.25	153.24	1,084	601	801	107.1

Monthly averages or calendar months	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. lira
EXPORTS (f.o.b.)												
1948	165	6,171	228	36.18	151	39	4.11	47.99	226	172	332	46.5
1954	1,321	9,581	554	121.94	1,832	380	9.59	85.33	764	347	683	73.3
1955	1,514	11,566	608	139.94	2,142	457	9.19	96.72	851	377	745	73.3
1955, November	1,629	11,811	644	137.48	2,296	1,072	9.39	102.89	972	368	866	85.4
December	1,773	14,416	729	201.24	2,715	905	9.95	101.54	898	391	804	106.4
1956, January	1,420	13,075	648	112.74	2,142	556	7.18	98.86	937	487	814	93.4
February	1,593	...	540	121.98	2,043	415	7.90	96.52	740	409	543	88.8
March	1,932	...	646	141.80	2,345	...	...	116.89	861	447	558	88.8

Monthly averages or calendar months	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. lira
BALANCE												
1948	78	1,078	57	19.90	113	113	7.25	22.37	188	138	81	33.3
1954	95	980	120	1.17	231	445	5.39	41.71	141	259	83	33.4
1955	408	224	70	3.20	113	498	7.84	44.21	165	271	114	43.0
1955, November	563	453	74	2.59	164	69	9.15	49.56	173	209	126	22.0
December	584	1,244	32	24.54	263	171	7.69	40.67	150	294	105	11.6
1956, January	490	728	116	11.81	9	363	11.00	63.58	217	314	123	36.3
February	138	...	50	23.88	268	673	10.02	46.98	256	186	240	18.6
March	239	...	23	30.49	181	...	...	36.35	223	154	243	18.6

Monthly averages or calendar months	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. lira
VOLUME OF EXTERNAL TRADE⁽¹⁾ (1953 = 100)												
IMPORTS												
1948	48	86	59	84	125	...	90	57	64	71	85	46
1954	139	110	121	108	125	...	98	104	126	114	115	93
1955	198	117	120	121	152	...	107	113	141	119	128	93
1955, November	224	120	127	121	159	...	112	114	160	108	136	84
December	242	130	127	134	184	...	110	123	147	120	...	83
1956, January	188	122	...	113	161	...	...	123	161	145	...	...
February	178	...	...	109	133	...	...	...	137	112	...	...
March	216	...	...	...	157	...	...	...	...	109	...	...
EXPORTS												
1948	37	69	48	48	124	...	55	66	113	115	110	95
1954	122	109	108	116	124	...	102	107	124	117	115	71
1955	136	118	118	130	142	...	95	124	124	117	115	82
1955, November	148	116	123	132	151	...	96	135	140	114	127	99
December	162	149	...	142	177	...	101	138	129	141	...	...
1956, January	129	133	...	111	140	...	74	133	142	117	...	...
February	145	...	...	120	130	...	82	...	112	129	...	...
March	171	...	...	...	151	...	...	...	...	...	...	...

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Greece, mining and manufactured gas; 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) Bizonal area. (6) Average fourth quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended June 23rd, 1956, there was an "above-line" deficit (after allowing for Sinking Funds) of £13,802,000 compared with a deficit of £30,860,000 in the previous week and a deficit of £27,343,000 in the corresponding period of last year. Net expenditure "below-line" last week reached £3,586,000, bringing the total deficit to £168,739,000 (£266,029,000 in 1955-56).

£'000	Estimate, 1956-57	April 1, 1955 to June 25, 1955	April 1, 1956 to June 23, 1956	Week ended June 25, 1955	Week ended June 23, 1956
Ord. Revenue					
Income Tax	2085,500	215,129	238,997	22,311	18,473
Surplus	144,000	18,500	22,500	1,100	1,200
Death Duties	170,000	43,300	41,600	3,300	3,300
Stamps	58,900	15,100	14,200	900	1,300
Profits Tax, E.P.T.	216,750	32,000	32,000	3,700	1,300
Excess Profits Levy	4,000	9,000	1,600	400	100
Special Contribution and other Inland Revenue	1,000	150	110	...	...
Total Inland Rev.	2680,150	333,179	351,007	31,711	25,673
Customs	1204,000	268,318	274,561	21,509	21,879
Excise	953,350	167,495	183,495	4,945	3,940
Total Customs and Excise	2157,350	435,803	458,056	26,454	25,819
Motor Duties	92,000	9,180	10,153	...	135
PO (Net Receipts)	10,000	...	3,000	6,650	7,400
Broadcast Licences	28,000	3,300	3,400	...	...
Sundry Loans	30,000	2,837	2,377	666	...
Miscellaneous	200,000	18,436	11,526	1,374	1,282
Total	5197,500	802,738	839,520	52,558	45,509
Ord. Expenditure					
Debt Interest	670,000	150,036	160,287	1,351	5,038
Payments to N. Ireland Exchequer	61,000	13,248	10,696	3,962	...
Other Cons. Fund.	10,000	1,277	1,046	157	163
Supply Services	3979,585	766,092	787,211	75,080	53,520
Total	4720,585	930,653	958,240	80,550	58,721
Sinking Funds	37,000	6,174	6,400	350	590
"Above-line" Surplus or Deficit	134,091	126,120	27,343	13,802	13,802
"Below-line" Net Expenditure	131,938	42,619	12,463	3,586	3,586
Total Surplus or Deficit	266,029	168,739	39,806	17,388	17,388
Net Receipts from:					
Tax Reserve Certificates	29,235	64,084	1,546	1,686	...
Savings Certificates	10,200	14,700	1,500	900	...
Defence Bonds	1,897	21,219	826	353	...

FLOATING DEBT

(£ million)						
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	
	Tender	Tap	Public Depts.	Bank of England		
1955						
June 25	3,220.0	1,974.9	311.5	3.3	5,509.6	
1956						
Mar. 24	3,230.0	1,561.8	315.2	...	5,107.0	
" 31	3,220.0	1,568.0	294.6	...	5,082.6	
April 7	3,240.0	1,561.2	277.7	...	5,078.9	
" 14	3,260.0	1,575.5	270.4	...	5,105.8	
" 21	3,260.0	1,600.6	286.0	...	5,146.5	
" 28	3,250.0	1,423.5	279.9	...	4,953.4	
May 5	3,240.0	1,431.1	251.9	...	4,923.0	
" 12	3,230.0	1,426.6	257.4	...	4,914.0	
" 19	3,220.0	1,435.1	277.8	...	4,932.9	
" 26	3,220.0	1,446.4	277.4	...	4,943.8	
June 2	3,240.0	1,439.6	243.0	...	4,922.6	
" 9	3,260.0	1,472.4	244.0	0.8	4,977.1	
" 16	3,280.0	1,216.6	240.6	...	4,736.6	
" 23	3,300.0	1,173.6	279.7	...	4,753.3	

THE MONEY MARKET

THE Treasury bill rate rose by $\frac{1}{8}$ per cent at the tender on Friday last, to $5\frac{1}{8}$ per cent. The discount market reduced its bid by $\frac{1}{4}$ to $98\frac{1}{4}$ p.c. per cent, and the average rate of discount on all bills rose by $\frac{1}{4}$ p.c. per cent to $95\frac{1}{4}$ p.c. Total applications fell steeply, by £37 million to £358.7 million—the lowest this year. In consequence, the market's allotment rose from 41 to 62 per cent.

The rise in the bill rate, discussed further in a Business Note, was partly in anticipation of the seasonal stringency at the half-year end. In the days preceding the tender, credit conditions were unusually comfortable, and the ease continued through the first half of this week. The only intervention by the Bank has been "in reverse"—on Thursday before the week-end it sold bills to mop up a credit surplus. It may be significant that the market did not adjust commercial bill rates following the Treasury tender.

The price of gold in the London market has risen sharply in sympathy with the weakening in sterling below par. At Thursday's fixing the gold price was quoted at 250s. 2d. a fine ounce, compared with 249s. 7d. an ounce a week before.

The first big outflow of notes for holiday spending occurred in the week to Wednesday, of £14.3 million. The fiduciary issue is raised by £50 million, to a new peak of £1,950 million.

LONDON MONEY RATES

Bank rate (from 4½%, 16/2/56)		Discount rates	
Bank bills: 60 days	5½%	Bank bills: 60 days	5½%
3 months	5½%	3 months	5½%
6 months	5½%	4 months	5½%
12 months	5½%	6 months	5½%
Deposits (max)	3½%	Fine trade bills:	
3 months	3½%	3 months	6-6½%
6 months	3½%	4 months	6-6½%
12 months	3½%	6 months	6-7%
Money Day-to-day	3½-4½%		
Short periods	4½%		
Treas. bills 2 months	5½%		
3 months	5½%		

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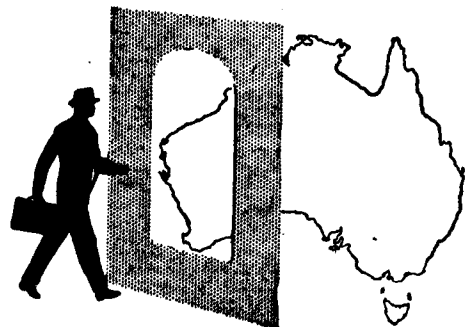
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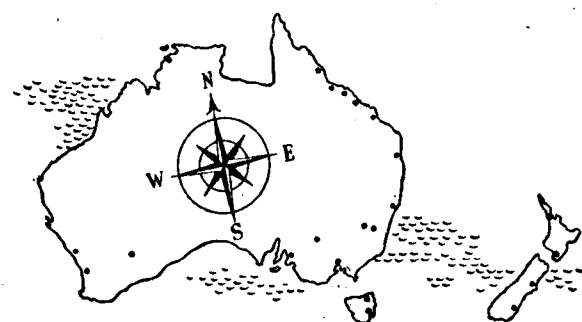
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COMPANY MEETINGS



ANOTHER SUCCESSFUL YEAR'S TRADING

PRODUCTS AN AID TO BUSINESS ECONOMY AND PRODUCTIVITY

MR FRED T. JACKSON ON RECORD VOLUME OF NEW ORDERS

The Twenty-seventh Annual General Meeting of Telephone Rentals Limited was held on June 25th at the Caxton Hall, Westminster, London, S.W.1. Mr Fred T. Jackson, OBE, CompIEE (Chairman and Joint Managing Director), presiding.

The Secretary (Mr W. J. H. Ainley) read the notice convening the meeting and the report of the auditors.

The following is the statement by the Chairman, which had been circulated with the report and accounts for the year ended December 31, 1955:

You will have seen from the balance-sheet and profit and loss account before you that we have had another successful year and the profits have again increased.

The new business taken during the year under review constitutes a record in the history of your company. The results arising from this new business will be apparent in 1956.

Looking ahead as far as the current year is concerned, business taken during the first four months of 1956 is considerably in excess of that taken during the corresponding period in 1955.

The service rendered to subscribers by your company has a great bearing on productivity, and the increase of business is partly due to the fact that industrialists are becoming more production-minded.

I might point out to you that the whole of the business carried out by your company is a very great aid to business economy and productivity. We have only one subsidiary company which does not carry out business under the heading of telecommunications, and that is engaged in the supply of cold rooms and deep-freeze equipment for butchers, restaurants, and food purveyors generally. That subsidiary is doing an increasing business, and it is doing valuable work as far as the economy of this country is concerned.

You will realise that, taken as a whole, the activities and the services rendered by your company necessitate a very considerable capital outlay and this, in due course, will receive the consideration of your directors.

OVERSEAS ACTIVITIES

As I did last year, I will review the activities carried on in various parts of the world, although the bulk of our business lies in the British Isles.

South Africa, with its headquarters in Johannesburg and a subsidiary in Cape Town, continues to earn satisfactory profits and is now financially self-supporting.

Our business in Canada is centred in Toronto and for the time being we concentrate on the Toronto area. We find that

Canada is a hard furrow to plough, but the business continues to expand and each subscriber we obtain acts as a recommendation to other firms in the area. There is no question that Canada as a country has a tremendous future industrially, and we can confidently expect that we shall build up a very valuable business there.

As I explained at our last meeting, we took a 50 per cent interest in an Australian business which operates in all the principal towns in that continent. The annual rental derived from the company there is quite substantial and the business is making great progress under an able manager who was trained in our business here.

Consequently, we have built up a substantial export trade.

My colleague, Mr W. Stuart Philcox, visited Australia, South Africa and Canada towards the end of last year and was very satisfied with the progress that had been made.

Our companies in Paris and Brussels have both made a small profit, but neither of these companies has made a substantial contribution towards the result now before you.

PROFIT-SHARING SCHEME

I would once more emphasise that our profit-sharing scheme is very successful, and I think that is indicated by the accounts before you. We always have in mind that the thanks of the directors cannot be put into the pockets of the employees, but I would take this opportunity of thanking them all for their loyal and good work during the year under review. The good work is reflected in the profits earned, and is recognised by the employees' participation in those profits.

ACCOUNTS

I will now refer to the accounts and explain the major changes as compared with the previous year.

PROFIT AND LOSS ACCOUNT

The Gross Profit of £745,844 shows an increase of £55,091 over the previous year. This is partially accounted for by the increase in the dividends from the subsidiary companies amounting to £6,003 and in dividends and interest receivable of £10,152. The increase in the interest received results from the investment of our surplus cash resources in Treasury Bills, Tax Reserve Certificates, and on deposit account.

Income tax and profits tax are down by £13,374 on the previous year, and the net profit at £425,643 is substantially greater by £91,734. Of this sum, £23,269 is accounted for by the adjustments of all our old tax reserves. I would explain here that before

we amalgamated all the subsidiary companies operating in the United Kingdom with the parent company on January 1, 1946, the tax assessments of the individual companies were dealt with by various inspectors throughout the land, consequently the wear and tear and capital allowances varied quite considerably as between one area and another. Since the amalgamation we have been negotiating with the Inland Revenue and have at last agreed a new basis of capital allowances and all assessments on the profits of the years 1946 to 1953 have been agreed, and by the time this is in print we shall probably have settled the 1954 assessment. We have therefore credited back to the profit and loss account the surplus on all the old tax reserves, and created a tax equalisation reserve to cater for the deferred liability due to the capital allowances. The net result of these adjustments, together with the crediting to profit and loss of the EPT postwar refund suspense account of £31,439, is an over-all surplus of £23,269. The details of the adjustments have been shown in full in the profit and loss account.

We have again this year transferred the sum of £200,000 to the general reserve and have transferred a further £50,000 to the contingencies reserve. This contingencies reserve, which now stands at £100,000, more than adequately covers the accumulated losses on our Canadian companies and we have provided the additional sum this year to cater for the further losses which we can expect before they achieve a profit-earning basis.

After providing for these transfers to reserves and the dividends on both the Ordinary and Preference shares amounting to £136,850, we are left with an unappropriated balance of £159,637 to be carried forward to the current year.

BALANCE SHEET

The issued capital remains unaltered, but the capital reserves have been depleted by the transfer as already mentioned of the EPT postwar refund suspense account to the profit and loss account. The revenue reserves now total £1,250,000, and the shareholders' interests consisting of capital, reserves, and unappropriated profit balance amount to £3,675,175, as compared with £3,419,633 at the end of 1954.

The reserves for future taxation now stand at £880,500, as compared with £278,000 in the previous year, and this is attributable to the creating of the tax equalisation reserve of £620,000.

The current liabilities have decreased by £292,543, chiefly on account of the adjustment on the tax reserves of all years prior to 1955. Sundry creditors and accruals, however, show an increase of £52,260, which is mainly accounted for by amounts due to our suppliers for increased stock purchases.

Turning now to the assets side of the balance sheet, the net value of the revenue-bearing installations is £2,860,506, which is equivalent to 1.42 year's rent.

The total amounts invested in our subsidiary companies show some marked changes. The investment in the capital of the subsidiaries is up by £157,898, represented by an increase in the capital of the Paris company of £41,459, and of £116,439 in Canadian Telephone Rentals. It was necessary for us to place more finance at the disposal of the Paris company in order to clear their bank overdraft, and to allow them some working capital, for, despite inflation and the various devaluations of the franc, they had been attempting to work on a prewar capital, bolstered up by borrowings from the bank. The increase in the Canadian share capital is the result of the capitalisation of the loans, both in the form of cash and in goods supplied. It is proposed to fund any further loans in a similar manner towards the end of each financial year.

The loans to subsidiary companies have been reduced by £36,676, which is accounted for by the conversion of the Canadian Telephone Rentals Loan into shares. The amounts due from subsidiary companies also show a reduction of £25,258, which again is accounted for by the capitalisation of the debt owed by Canadian Telephone Rentals Limited for goods supplied.

The stock and work in progress at £562,653

LONSDALE INVESTMENT TRUST, LIMITED

AN ACTIVE AND PROFITABLE YEAR

MR T. L. MC. C. LONSDALE'S STATEMENT

The annual general meeting of the Lonsdale Investment Trust, Limited, will be held on July 19th in London.

The following is the Statement by the Chairman, Mr T. L. Mc. C. Lonsdale, circulated with the report and accounts:

The Accounts of the Trust and its wholly owned subsidiary, Robert Benson, Lonsdale & Company Limited, for the year ended February 29, 1956, again indicate an active and profitable year.

The Balance Sheet of the Trust reflects the changes in the Capital structure which were approved last year, the Issued Ordinary Share Capital, which now stands at £1,755,000, having been increased by £585,000 and the Share Premium Account correspondingly reduced.

INCREASED REVENUE

The gross revenue from the Trust's general investments increased by £55,157 to £263,923. This increase is partly attributable to the receipt of a full year's income from the investment of the proceeds of the issue of £500,000 4 per cent Debenture Stock 1979/84 which was made in the course of the previous year, and partly to higher rates of dividends received from investments. After adding the gross dividend of £120,000 received from Robert Benson, Lonsdale & Company Limited, the same as last year, and other income, the Trust's total gross revenue amounted to £388,710 against £334,258 the previous year. After deduction of all expenses, Debenture interest and taxation and the dividend on the Preference Stock, the amount available for the Ordinary Stock was £170,527. Of this, the interim dividend already paid and the final dividend now proposed on the Ordinary Stock, making a total

shows the substantial increase of £135,874, of which approximately £40,000 is represented by increased work in progress, and the balance represents stock which it is necessary for us to carry in order to cater for our increased business.

Our liquid resources in the form of Tax Reserve Certificates, Treasury Bills, and cash, both in London and Australia, have increased from £792,432 in 1954 to £873,496 in 1955. Although this looks extremely healthy, I have to tell you that we have already used Tax Reserve Certificates to the value of £255,450 this year in payment of the tax due on January 1, 1956, and that our commitments for purchases of materials during this current year are on a very much heavier scale than previously, so these cash resources will be quite considerably depleted by the end of the year.

CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The Consolidated Accounts having been prepared on an identical basis to that of the parent company, the material changes have already been dealt with in the foregoing remarks.

The net profit for the Group before taxation is £790,548, compared with £725,941 for 1954. After providing for taxation, the transfers to reserves, and dividends, the

of 12½ per cent, for the year, will absorb £126,141, leaving an amount of £46,454 of the Trust's income during the year to be added to the carry forward, making that figure £216,778. The total dividend paid last year on the old Ordinary Capital amounted to 16 per cent, which was equivalent to 10½ per cent on the present Capital, as compared to the 12½ per cent proposed this year.

ROBERT BENSON, LONSDALE & CO.

The profits of Robert Benson, Lonsdale and Company Limited, though not as high as those of the previous year, were very satisfactory and were sufficient to pay, after taxation, the same dividend to the Trust as last year, to put £100,000 to Reserve, and to carry forward slightly more than last year. The Reserves and carry forward of Robert Benson, Lonsdale & Company Limited (including its subsidiaries) are now approximately £600,000 as compared to £114,000 when the Trust acquired the Company in July 1947.

VALUATION OF INVESTMENTS

It is satisfactory to note that, taking the unquoted securities at cost, the general investments of the Trust were £1,568,217 in excess of book value.

The classification of the investments shows that the Trust's general portfolio remains predominantly in Ordinary Stocks and Shares and that the proportion invested in North America on the present valuation has increased during the year from 27½ per cent to 31½ per cent.

In the first quarter of the current year the income from the Trust's general investments has been well maintained. Although it would be prudent to view the nearer term with some caution, the rapid developments in automation and the application of electronics and nuclear science, which must involve great demands for capital and new equipment, should, without doubt, provide opportunities for profitable operations and investment and the Group is well equipped to take advantage of them.

CONCLUSION

I am sure you will agree with me that the accounts as presented reflect a sound and healthy position, and provided wage demands and inflation in this country are halted, and production and exports increase, I see no reason why we should not look forward to equally good results in this current year. It is not, however, going to be easy, for already wage awards in both the engineering and contracting industries have resulted in increased prices of materials and in increased cost of our own labour. To our employees this is a direct challenge to increase their productivity, and if only the same could be said for all workers throughout the length and breadth of the land, we should have little cause to worry about the balance of payments, or the standard of living of our people.

The report and accounts were adopted, and the final dividend of 7½ per cent, making 12½ per cent for the year, was approved.

The retiring director, Sir Leonard Browett, KCB, CBE, was re-elected, and the remuneration of the auditors, Messrs Chas. W. Rooke, Lane and Company, having been fixed, the proceedings terminated.

RUBBER PLANTATIONS INVESTMENT TRUST, LIMITED

SIR ERIC MACFADYEN'S STATEMENT

The Forty-seventh Annual General Meeting of The Rubber Plantations Investment Trust, Limited, was held on June 27th in London.

Sir Eric Macfadyen, Chairman, in the course of his speech, said: The Accounts for the year to March 31, 1956, show earnings of £278,263 and, after taxation, net revenue of £151,851; the gross earnings yield on the Trust's Issue Capital of £1,728,569 being 16.10 per cent (11.85 per cent). Net revenue is higher than that of the previous year by £46,017 and, including the £105,115 brought in, we have £256,966 available for appropriation; of this amount the Directors have transferred £25,000 to General Reserve and they recommend a dividend of 12½ per cent which will cost £124,241 (net), and leave £107,725 to be carried forward.

At March 31st the net book cost of the Trust's investments was £1,835,742 (an increase of £123,243) and their net valuation at March 31st came out at £1,796,856; the depreciation at £38,886 compares with £82,384 a year before and £263,038 depreciation the year before that. The break-up value per stock unit is 2s. 4d. (2s. 3d.). Our liquid funds are held mainly in Treasury Bills and near-dated Government Securities and afford readily available resources for employment as suitable market conditions present themselves.

As with many other Investment Trusts the Rubber Trust has a high proportion of small investors among its list of Members at date we have 8,409 names on the register of members and in the last analysis of it make-up more than one-half of these (4,400 held £100 Stock or less—6,697 Member held £250 Stock or less).

The report and accounts were adopted.

FRIED. KRUPP

ESSEN, GERMANY

YEAR OF PROGRESS AND EXPANSION

IMPROVED EARNING POSITION

FINANCE FOR EXPORT TRADE NECESSARY

HIGHER GROUP TURNOVER ACHIEVED

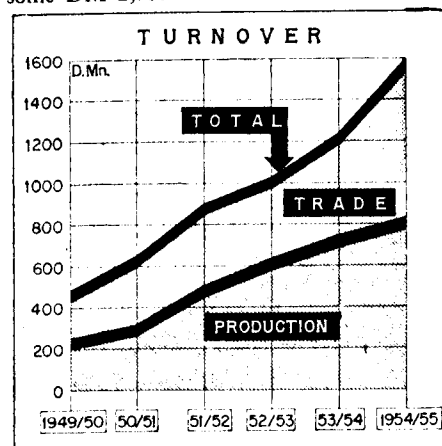
REVIEW OF PAST YEAR'S OPERATIONS

The following are details of the report issued by the Krupp concern on developments during the year 1954-55.

REVIEW. TURNOVER

The Company's progress during the year was in keeping with the general expansion of business, which determined the state of the home market and influenced world markets. As a result, existing capacity could be fully utilised. In some sectors output did not keep pace with increasing demand, and the level of orders in hand rose accordingly. Turnover during the year, including AG Weser (a shipyard in which Fried. Krupp holds 82 per cent of the shares), amounted to approximately DM 1,600 million, as compared with DM 1,200 million in the preceding year. This figure was shared equally by the concern's producing units, and by its trading companies.

During the same period, Hüttenwerk Rheinhausen and the coal properties, separated from Fried. Krupp by Allied decartelisation measures, had a turnover of approximately DM 1,100 million, bringing the figures for all the Krupp properties to some DM 2,700 million.



PRODUCTION PROGRAMME

The Company's production programme was further diversified during the year, diesel engines, machinery for the production of man-made fibres, heavy presses for the motor industry, and the extraction of titanium from titanium sponge (semi-processed ore) being outstanding among the new ventures. The titanium process was first demonstrated at the Hanover Industries Fair in April-May, 1955.

INVESTMENT

The degree of competition met with today, and the need to absorb higher costs by suitable rationalisation measures in order to hold prices, led to considerable capital expenditure during the year. Investments totalled more than DM 70 million, and were largely financed by decartelisation sales.

SALES

Great efforts were made to improve the Company's sales organisation in the Federal Republic. Offices were opened in Frankfurt, Mannheim and Hamburg in order to streamline existing facilities in all economic sectors. Further offices are to be opened in Stuttgart, Freiburg, Nuremberg, Hanover and Bremen during 1956.

EXPORTS

Fried. Krupp's business relations in foreign markets were further expanded during the year. Export turnover figures reached approximately DM 280 million, most of which was accounted for by AG Weser, Bremen.

Increasingly severe competition adversely affected foreign business, however. In addition many countries of particular importance to the Company's export trade were forced to safeguard their balance of payments by establishing import quotas or by cutting off imports altogether.

In the case of large-scale foreign projects German exporters are handicapped by the lack of capital on the money market. It seems vital to find new ways of providing long-term export finance if Germany's export trade is not to limp behind foreign competitors who can draw on far more substantial capital resources.

An outstanding feature of Fried. Krupp's foreign operations during the past year has been the expansion of its own "Point IV 1/2" programme in underdeveloped countries. Extensive metallurgical projects are being planned in Pakistan, Greece, Brazil, Turkey, French Morocco, Yugoslavia and Bolivia. These "Point IV 1/2" projects are in addition to others already under way, such as the 1 million ton steel mill at Rourkela, India, which is being built jointly with Demag, a 300,000 ton steel mill at Multan, Pakistan, and a smelting plant at Larymna, in Greece.

ASSOCIATED COMPANIES

Encouraging progress by departments, subsidiaries, and associated companies can be reported.

KRUPP-TECHNIK :-

Further expansion took place in this field. The furnace sections in Rheinhausen and Essen were combined into a furnace division, and now supply furnaces and ovens for solid, liquid, and gaseous fuels, as well as for electric operation.

An extensive metallurgical research installation is being built.

Apart from projects already under construction, steel mills at Rourkela (India) and Multan (Pakistan) and a smelting plant at Larymna (Greece), new orders were secured in the following countries: Pakistan,

Greece, Brazil, Turkey, French Morocco, Yugoslavia and Bolivia.

The reconstruction of the direct-process plant for special ore processing at Watenstedt, dismantled after the war, deserves special mention. This project is being handled on behalf of a consortium including eight of the largest West German steel producers. The first stage, to be completed during 1956, provides for 3 furnaces with a total daily capacity of 2,000 metric tons of iron ore.

The Capito & Klein rolling mill was taken into service during the year.

Further progress may be expected in this field. The demand for direct-process plants and steel mills is increasing, and a number of large-scale projects in Central and South America, the Near East and Far East, as well as in South-East and South-West Europe have already reached an advanced stage.

FRIED. KRUPP MASCHINENFABRIKEN ESSEN :-

This company was formed on January 1, 1956, and includes the Krupp locomotive plant, the electrical plant and Essener Maschinenbau. After reorganisation, two divisions were established:

Division I

Capacity of the locomotive plant was only utilised to the extent of 70 per cent, owing to a reduction in business, and the partial conversion of the plant for other work is proceeding. Progress is reflected by a 21 per cent rise in turnover, and a 70 per cent increase in the volume of orders received.

Licence agreements were concluded for the production of large presses, the manufacture of marine diesel engines, and for the construction of particularly efficient steam locomotives with pre-heaters.

In most sectors the upward trend may be expected to continue, although strong competition on foreign markets exerts a severe pressure on prices.

Division II

Existing capacity was fully utilised, with occasional three-shift working. Turnover in electrical machinery rose by some 20 per cent, in pneumatic tools by 66 per cent, and in track-laying machinery by as much as 222 per cent. Electrical plant for August-Thyssen-Hütte and Gutehoffnungshütte was particularly important. Two hundred and sixty track-laying machines were bought by the Federal German Railways.

Judging from the volume of orders in hand a further rise in turnover is likely, and a corresponding expansion of capacity is being planned.

FRIED. KRUPP HEAT TREATMENT DIVISION :-

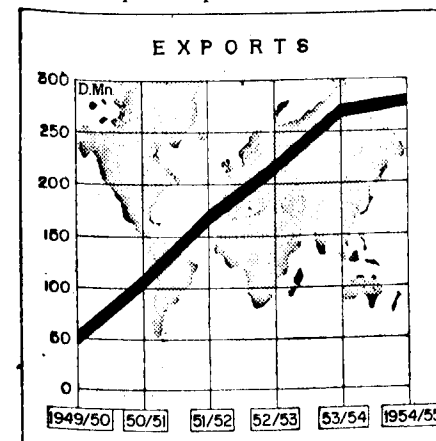
The foundry, forge, and spring manufacturing sections were combined into a single

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division during the year. Capacity was almost fully utilised, and turnover rose by between 70 per cent and 80 per cent over the preceding year's figures.

Further plant extensions were completed according to plan. The new cupola furnace in the foundry section was of particular importance, and enabled considerable reductions in costs to be achieved.

Fresh advances were made in foundry technique, and new fields of application could be opened up.



After research extending over several years, various types of titanium were exhibited at the Hanover Industries Fair for the first time. Similar displays were arranged for the Chemical Exhibition (ACHEMA) in Frankfurt and the International Aeronautical Exhibition at Le Bourget, Paris. This new material, outstanding on account of its low specific gravity and its resistance to corrosion, is now being used experimentally in a variety of fields.

The year 1956 opened with orders in hand 70 per cent up on the figure at the beginning of the preceding year.

FRIED. KRUPP WIDIA SINTERED CARBIDES PLANT :-

All sections were working at full stretch during the year, and turnover in sintered carbides, tools, and magnetic materials rose considerably. A number of new installations and machines were taken into service, with a consequent increase in production capacity.

A new research institute is to be erected, and the administration building is to be extended.

If present trends continue a further rise in turnover during 1956 may be expected.

FRIED. KRUPP MASCHINEN-UND STAHL- BAU RHEINHAUSEN :-

Turnover rose by some 13 per cent during the year, and the labour force increased proportionately. The export ratio amounted to approximately 40 per cent.

Capacity was fully utilised, and there was some three-shift working. Demand could not be fully met, and some sub-contracting became necessary. Expansion of capacity and modernisation entailed considerable capital expenditure. At Goddelau a third shop with a 10-ton travelling crane was put into service.

New items in the production programme include:

- Cableways
- Washing Plant
- Light Metal Construction.

A number of large-scale projects are being undertaken by this company, either alone or

jointly with other concerns. They include:

- Oil refinery in Greece;
- Extension of Opel Works at Rüsselsheim;
- University Bridge in Cairo;
- Rolling mill for Gusstahlwerk Witten;
- Rolling mill in Austria;
- Numerous cement factories, processing and crushing plants, and large dredgers.

AKTIENGESSELLSCHAFT "WESER" :-

Capacity both at Bremen and at Seebeck was fully taken up during the year. The number of people employed rose by nearly 1,500 to 10,265. At Seebeck, the fiftieth trawler and the hundredth newly built ship since the war were completed in 1955.

Twenty-seven ships with some 150,000 tdw were delivered during the year. They included 10 vessels of 126,000 tdw built at Bremen, and 17 vessels of 24,000 tdw at Seebeck. The export ratio exceeded 50 per cent. The largest ship built was the tanker *Esso Frankfurt* of 26,500 tdw. Specially important, however, was the delivery of two passenger ships to a Turkish shipping line for operation in the Black Sea. They indicated the resumption of the old tradition of passenger ship construction.

Orders in hand comprise 60 ships of some 660,000 tdw, with delivery dates well into 1959.

KRUPP-ARDEL GMBH :-

Capacity was fully utilised during the year. Turnover rose by 30 per cent, and expansion became necessary.

Particularly remarkable among new developments was a self-propelled heavy crane exhibited at the Hanover Industries Fair, with a tyre diameter of 2.25 m (7.4 ft) and an unsupported lifting capacity of 35 metric tons. It was one of the most interesting exhibits at the Fair.

Some especially important deliveries were made during the year: further luffing cranes to Chile and Bangkok; railway turning cranes to Egypt, Beira and Norway; large loading bridges for Amsterdam and Brake.

The orders in hand ensure full employment for more than a year. They include 48 luffing-turning cranes for Karachi harbour, Pakistan.

FRIED. KRUPP DIESELMOTOREN GMBH :-

This company was founded on April 1, 1955, and absorbed the former diesel engine division. Apart from looking after the spare parts business, which assumed increasing importance, the company proceeded with the development of new engines of its own design. At the end of 1955, a licence for large marine diesel engines was acquired from the Danish company of Burmeister & Wain, and orders for such units have already been secured.

Further advances are expected to be made during the current year.

FRIED. KRUPP MOTOREN-UND KRAFT- WAGENFABRIKEN GMBH :-

Reorganisation and streamlining of production proceeded. Capacity was greatly expanded as a result of the installation of additional machinery and an increase in the labour force. Since capacity was fully taken up, the turnover rose by some 40 per cent.

The increase in sales may be attributed to the growing appreciation among buyers of the advantages of the two-stroke diesel engine and of the compressor brake developed by Krupp.

A further type has been added to the com-

pany's production programme, a light-weight 5-ton vehicle with a 3-cylinder engine, which has proved particularly suitable for short-haul traffic.

TRADING COMPANIES :-

Developments during the year were encouraging, and rises in turnover figures were reported by all companies. The number of people employed rose to approximately 2,200. New types of merchandise included plastics (particularly plastic tubes and fittings), light metals, non-ferrous metals, and plastic-covered wires. Exports through Krupp Eisenhandel GmbH, Düsseldorf, made satisfactory progress. Further rises in turnover are expected for the current year.

PERSONNEL

The labour force at the beginning of 1956 was made up as follows :-

Fried. Krupp	24,663
Participations	20,908
Fried. Krupp Total	45,571
Decartelised undertakings	39,549

Grand Total 85,120

In view of the increasingly difficult problems involved in planning and preparing for production runs, the staff ratio increased during the year; by the end of 1955, one in four of the Company's personnel was a member of the technical and administrative staff.

Following an increase in the number of people employed on the one hand, and rises in wages and salaries on the other, labour charges rose to DM 216 million during the year. Statutory and voluntary social security expenditure reached DM 32 million.

Special attention continued to be paid to apprentice training schemes, in order to counteract the ageing of the labour force, and with a view to promoting rationalisation. Apprentices at the end of the year 1954-55 numbered 3,455.

Progress was also made in unifying and revising pension schemes, and resulted in an increase in expenditure of more than DM 4 million a year in respect of Essen pensioners alone. Company hospital accommodation now comprises 600 beds, and more than 70 out of every 100 in-patients are ordinary citizens of Essen unconnected with Fried. Krupp.

Housing accommodation continued to be provided by Kleinwohnungsbau Krupp g. GmbH. Building work for DM 14.6 million was carried out during the year, of which some DM 5 million was borne by Fried. Krupp. By the end of 1955, dwelling-units provided totalled 11,021. Work on a further 984 units was begun during the year, and the 1956 programme envisages the construction of 1,268 units.

OUTLOOK

Generally speaking, the Company's earning position improved during the year, although pensions payments to former employees of dismantled plants, the capital levy for the Equalisation of Burdens, and other capital taxes on non-operating plants continue to bear heavily upon income. The following excerpt from a speech by Alfred Krupp to high executives at the beginning of this year aptly points the way to the future:

"A true living community of all who work with us, coupled with a firm determination to achieve further progress, should be our goal. If we all feel and act in this spirit, there is no need to fear the future."

RICHARD COSTAIN LIMITED

SATISFACTORY RESULTS DESPITE DIFFICULTIES

WELCOME CONTRIBUTION FROM OVERSEAS CONTRACTS

SIR RICHARD COSTAIN ON LONG TERM PROSPECTS

The twenty-third annual general meeting of Richard Costain Limited will be held on July 17th, at 111 Westminster Bridge Road, S.E.1.

The following is the statement by the Chairman and Joint Managing Director, Sir Richard Costain, CBE, which has been circulated with the report and accounts for the year ended December 31, 1955:

You will note from the Consolidated Profit and Loss Account that while Trading Profits have increased, the net balance available in Richard Costain, Limited, £56,000 is less than that for 1954. This has been an exceptional year's trading involving both special profits and losses as referred to in Note 1 attached to the accounts. First, we have at long last received compensation for loss of development rights on land under the provisions of the Town and Country Planning Acts amounting, with interest, to £213,000. Secondly, we have provided in full for the considerable initial loss, £146,000, incurred by our Canadian subsidiary, which latter provision has to be made out of taxed profits. Our ultimate net profit is sufficient to cover our normal dividend requirements after leaving no less than £129,000 profits undistributed in subsidiary companies.

There is one further exceptional item which is not dealt with in the Profit and Loss Account. We have a 50 per cent shareholding in Costain-John Brown, Limited. This company has had a successful record since its incorporation in 1948, but has recently had an unfortunate experience (partly due to circumstances over which it had no control), in regard to a large contract in the Middle East, in which it was concerned together with Iraqi partners. It is not yet possible to ascertain the loss, but we have appropriated £100,000 from our realised capital profits as a provision against our 50 per cent interest in this company.

In my statement last year I explained that bad weather in the first three months of 1955 had delayed progress on the Home Contracting side; this early disadvantage was not fully overtaken and our profits were affected, apart from the fact that certain contracts proved somewhat unsatisfactory. On the brighter side our Overseas contracts made a welcome contribution to Group profits.

During the year we have made further capital profits on sales of Fixed Assets amounting to £102,103 (compared with £29,568 last year) which have been added to the General Capital Reserve Account out of which £100,000 has been appropriated in the manner I have referred to above. A further capital (tax free) bonus of 3 per cent was declared in 1956 out of capital profits.

You will notice that the Group overdrafts have increased. This has mainly been caused by house building for sale and the opencast mining contracts which latter have necessitated heavy expenditure on plant in addition to the moneys required to finance work in progress. The overdraft on opencast mining will, over a period of years, disappear, and in speculative estates it is a well-known principle that house building for sale uses more finance than normal contracting work, but it is hoped that the use of money for this purpose will show a reasonable return.

Returning to the Profit and Loss Account, the net balance available in Richard Costain Limited (after retaining £129,000 in subsidiary companies) is £56,000, to which must be added the balance of profits brought forward of £223,880. After providing for the Preference dividend and the proposed Ordinary dividend of 10 per cent, the balance carried forward amounts to £229,405.

I will now deal in detail with the various activities of the Group.

AT HOME

Home Contracts.—1955 was a difficult year for contractors in the United Kingdom. As I have pointed out already the weather in the first three months made a bad start. During the rest of the year the very great volume of new work in the country caused severe competition for labour and especially for skilled craftsmen. Since construction work must be very carefully phased these shortages caused dislocation, particularly because, from a long-term point of view, your company wished to maintain its reputation for completing work within the required time. I am glad to say that the results of contracts started in the last twelve months show a distinct improvement although there may be a shortage of skilled craftsmen again this summer. The Credit Squeeze, too, is beginning to have its effect upon construction work in general, and I believe by 1957 will reduce the volume of work quite considerably.

The Civil Engineering Division has almost completed our Garry contract for the North of Scotland Hydro Electric Board and undertook a number of major contracts during the year, including two power stations for the Central Electricity Authority.

The Opencast Mining Division is ahead of schedule on its very large contract for the excavation of 5 million tons of coal. During the first year of operations we have excavated 6½ million yards of overburden from the initial cut, which in itself is no mean feat and required a very high degree of organisation and technical skill. This contract extends over some years and its results are not yet reflected in the figures of the Group.

The Building Division has been fully occupied during the year under review. Although the division has undertaken some considerable housing schemes recently the preponderance of its work has been on industrial and commercial buildings, so that it should not be unduly affected by the reduction in housebuilding for local authorities. The division had 15 factories and 7 office blocks under construction during the year, the largest being a factory of 547,000 sq ft.

Our Area Branches continue satisfactorily. The Plymouth Branch has recently been awarded two major contracts, one for Lloyds Bank and the other for the Royal Naval Engineering College.

Properties.—The revision of the Rent Restriction Acts has caused a very slight increase in the property income. We have purchased a number of estates on which to build houses for sale, and this has made a small contribution to your company's activities during the year which should increase in this and subsequent years.

ties during the year which should increase in this and subsequent years.

Costain Concrete Company, Limited.—The company's results showed an improvement during the year. The production of sleepers continued during the year and following a considerable amount of research the pilot order has been placed for an improved type of sleeper.

WORK ABROAD

Work abroad during the year compensated for the difficult conditions at home and your company has, with the exception of its Canadian subsidiary, had a satisfactory result during the year from its work abroad.

West Africa.—You will already have received a copy of the company's staff magazine, "The Bulletin," devoted mainly to the Queen's visit to West Africa. As you will have read there we are proud to report that Her Majesty The Queen opened two of our major contracts which were completed during the year, the Apapa Wharf and the Ijora "B" Power Station. Her Majesty also visited the Oji River Power Station, a current contract of Richard Costain Limited and the Ibadan Teaching Hospital, a current contract of Costain (West Africa) Limited. I am glad to report that your company has recently been awarded a further major contract in West Africa for the construction of the Ebute Metta Causeway and Costain (West Africa) Limited has also been awarded a major contract for the construction of bridges between Lagos and Mando. Following Colonel P. McA. Sinclair's appointment as a director of the parent company, Mr D. W. C. Shaw, who has been a director of our associated company in Liverpool for 21 years, has been appointed Managing Director of Costain (West Africa) Limited.

Middle East.—The balance of the profits which have been earned on the Power Station in Kuwait have been taken into the Group Accounts during the year.

The completion of this building in record time has enhanced our reputation for work in the Persian Gulf Area where we have now been operating over a period of 20 years. We are undertaking work for the State of Bahrain and two major oil companies in the area.

In addition our associated company Costain-John Brown Limited is ahead of schedule on the construction of the 350 miles of pipeline to which I made reference in my report last year.

Canada.—On the conclusion of initial contracts in Canada, our subsidiary company has shown a loss of £146,000. Although we realised that these contracts were taken at a time of severe competition and that we had yet to gain experience in Canada, nevertheless we had not anticipated a loss of this magnitude. Steps have been taken to rectify this situation and the Canadian companies have entered into the Property Development field in partnership with Canadian interests. We consider that their extensive local experience together with our own knowledge of property development will prove profitable.

Rhodesias.—The Rhodesian subsidiary companies continue to make their contribution to the Group.

tion to the Group. Richard Costain (Southern Rhodesia) Limited has recently been awarded a £3½ million contract for the construction in eighteen months of a town to house the thousands of workers who will be engaged in the erection of the Kariba Dam across the Zambesi. Our latest reports are that, after three months, this contract is already ahead of schedule.

Costain (Northern Rhodesia) Limited continues to be fully and profitably engaged.

STAFF

Your Directors are as always fully conscious of the contribution made by the staff both at home and overseas and wish to record their appreciation of the continued loyalty and support received.

BOARD CHANGES

During the year we were sorry to lose two members of the Board. Mr R. B. Minto felt that the time had come for him to retire from

business. During his period of service on the Board he has built up a personnel department of which we are proud. We would like to thank Mr Minto for all he has done and wish him enjoyment in his retirement.

For some time Mr R. M. Wynne-Edwards has been fully engaged in the management of Costain-John Brown Limited, and during the year we felt that it would, with the increasing size and complexity of that company, be fairer to him and to our partners, John Brown and Company Limited, if we agreed to release him from his commitments to your company. I would like to place on record our appreciation of his very valuable service to the company and say that we are glad that we will still be working in close co-operation with him.

Colonel P. McA. Sinclair was duly elected to the Board at the Annual General Meeting last year.

FUTURE PROSPECTS

As I have already explained, 1955 has been an unusual year in which we had some

GILL & DUFFUS LIMITED

POSITION OF CONSIDERABLE STRENGTH

MR J. I. MURRAY'S STATEMENT

The ninth annual general meeting of Gill and Duffus Limited will be held on July 16th, at 23, St. Dunstan's Hill, London, E.C.

The following is the Statement by the Chairman, Mr J. I. Murray, which has been circulated with the report and accounts for the year ended December 31, 1955:

The Report and Accounts are this year submitted in a new form designed to give a clearer picture of what the Company's business actually is and the kind of assets which it possesses. The Board trust that the information given in pictorial form will be of interest and assistance to Shareholders and Stockholders and also to the investing public in assessing the worth of the Undertaking—by no means an easy task in a business such as ours.

During the past year two new Directors were appointed and their re-election falls to be confirmed at the Annual General Meeting. Mr Pearson has been Secretary of the Company since its reorganisation in 1947, and he and Mr Byles have served the Company with loyalty and distinction. Their promotion is a just and natural recognition of the valuable services which they have rendered.

PRICE OF COCOA

I would like first to refer to the price of Cocoa. In January, 1955, it was between £375 and £400 per ton, but the price declined steadily during the year and by the end of December, 1955, it had fallen to £250 per ton. This further decline unfortunately left consumers with stocks at considerably higher prices which, because consumption was falling, could only be worked off gradually. In such circumstances, it was not surprising that the market for cocoa products became more competitive and margins tended to narrow.

In spite of these conditions and the lower prices which obtained in 1955 as compared with 1954, the Group's turnover rose substantially both in volume and in value—in cash the value of the turnover was £32,500,000 as compared with £30 million in 1954. This can largely be attributed to

the fact that our organisation is now a worldwide one, the strength of which lies in the way it combines both trading and manufacture. Diversification has also played its part and this is something which we are continually striving to promote.

The Group profit for the year before taxation was £870,188 as compared with £907,128 for the previous year—a decrease of £36,940, but this was after charging £145,023 for Interest as against £31,691 for 1954—a reflection of the increases in the Bank Rate which took place in 1955 and the cost of financing our contracts to which I referred last year. After making provision for all taxation which, including Profits Tax and allowing for adjustments in respect of the previous year, required £474,348 and deducting Profit attributable to minority shareholders and the increase in the amounts retained by Subsidiary Companies, the net profit available to members was £346,826.

The Preference Dividend and the Ordinary Dividend, of which 11 and two-thirds per cent was paid in December, 1955, takes £165,370, and after bringing in the amount brought forward from last year, the balance to be carried forward to next year is £621,285, compared with £439,928 as at December 31, 1954. Of this balance of £621,285, £359,605 is attributable to the Parent Company and £261,680 is retained by Subsidiary Companies.

ESSENTIAL OBJECTIVES

These balances are undoubtedly substantial and with the Replacement and General Reserve give a picture of considerable strength. It should, however, be emphasised that there are certain essential objectives, the conflicting claims of which have to be reconciled year by year and which can never be forgotten by the Board in formulating policy. These are:

- (1) The need to generate cash if possible;
- (2) The need to keep our plant and machinery in first-class order and absolutely up to date;
- (3) The need to give the Ordinary Stockholders a fair return on their Capital.

exceptional problems to deal with. I am happy to say that long-term prospects are by no means unsatisfactory. At home our contracting business is soundly based, although there are certain less satisfactory old contracts to be completed, and on the building side we should realise satisfactory profits from the development schemes commenced in 1955. Our very large opencast mining contract in the North was only in the development stage in 1955. Overseas our business in the Rhodesias and West Africa should continue to prosper; as I have mentioned above we have secured an important contract at Ebute Metta in West Africa and the contract for the construction of the camp for the Kariba Dam project. Prospects for our Canadian subsidiary are good after its initial reverses and we have entered into a partnership arrangement with Canadian interests to develop property which appears most promising.

While 1956 may be a difficult year, I have always perhaps erred on the side of caution and conservatism in past years, and now regard long-term prospects with cautious optimism.

BALANCE SHEET CHANGES

The Consolidated Balance-Sheet reveals certain changes to which I should like to refer in some detail. First of all, the Ordinary Capital has been increased from £500,000 to £825,000 by the issue of £50,000 of new Stock and the subsequent 1-for-2 capitalisation issue passed at the Extraordinary General Meeting held on July 14, 1955.

Once again there has been an increase in Fixed Assets and this in turn has caused a slight deterioration in our working capital position. Land and Buildings at Cost have increased from £261,334 to £340,401—an increase of £79,067, due to the erection at Hull of a new Bonded Warehouse and Bean Store and a building to house the new Brazil Nut Cracking Plant.

Plant and Machinery at cost has risen from £606,631 to £878,155—an increase of £271,524, which represents the cost of the

Nut Cracking Plant, the cost of improvements to the Cocoa Mill at Hull and also the cost of various renewals and replacements which could not properly be charged to revenue.

Investments in Subsidiary Companies not consolidated and Allied Companies refers to the investment which we have made in Basra Processors Limited, a Date Processing Plant mentioned in Note 5 on the Accounts and necessitated by our recent entry into the Date trade in North America and of course also to the shares which we now hold in N. V. Cacaofabriek De Zaan. The whole of this capital expenditure represents and underlines our constant efforts to improve efficiency, reduce costs and diversify our business.

As you will see from Notes 1 and 2 on the Accounts, Share Premium Account which amounted to £212,848 at December 31, 1954, has been capitalised in connection with the capitalisation issue made in July, 1955, and has disappeared, but has been replaced by the premium on the shares issued to N. V. Cacaofabriek De Zaan amounting to £240,000.

The largest changes have, of course, taken place in Current Assets and Liabilities. Stocks are down by £1,077,739 at £3,645,887, and, as is customary, they are covered by forward sales. On the other side Bank Advances have been reduced by £1,778,034 to £1,392,222. These changes have, of course, arisen from the decline in the price of Cocoa, and at present price levels we should have no difficulty in working within the reasonable limits fixed from time to time by our Bankers to whom we are much indebted for the consideration and help which they have given us. High interest rates alone should be sufficient incentive to keep our borrowings at the minimum and to ensure that we make the best use of the facilities available.

OVERSEAS ACTIVITIES

In March Mr Spice and I visited the United States and had an opportunity of studying on the spot the organisation and prospects of the American and Canadian Subsidiaries. We came away with the firm impression that while it would take time to build our Organisation in the North American Continent on sound foundations, the possibilities for the future were promising. In this connection I would like to acknowledge the debt we owe to Mr Thatcher Brown, the President of Gill & Duffus Incorporated, and to our American Bankers for their co-operation and help.

I am glad to be able to report that since the close of the year the plant of the West African Mills Limited at Takoradi has been reopened and, though the position is at present somewhat obscure, we hope that it will be possible to keep it working. The prospects for the Saw Mill at Takoradi have also improved since the close of the year.

The prospects for the current year are not unfavourable. The problems arising from the violent fluctuations in the price of Cocoa have largely been worked off and with the advent of lower prices the position is more healthy and the consumption of Chocolate is tending to rise once again. This should help those departments of our Companies, whose function it is to provide raw materials for Chocolate Manufacturers. We hope that 1956 will prove to be a year in which we can balance our operational efficiency, our need for generating cash and our duty to our Stockholders. In conclusion, I would like to pay a sincere tribute to the work of our Managing Directors and our Staff both at home and abroad. There's was not an easy task in the conditions which existed during the past year. To all of them I would like, on your behalf, to say "Thank you."

ARTHUR BALFOUR & COMPANY LIMITED

CONTINUED VIGOROUS DEMAND

The fifty-seventh annual general meeting of Arthur Balfour & Company Limited was held on June 25th at Capital Steel Works, Sheffield, 3, The Honourable R. A. Balfour, JP (Managing Director), presiding in the absence of the Chairman, the Right Honourable Lord Riverdale of Sheffield, GBE, LL.D.

The following is an extract from the Chairman's circulated statement: The results for the trading period under review show a marked improvement on the previous year.

Demand has continued vigorously throughout the period. Most of the manufacturing sections of the organisation were working to capacity and the volume of business resulting has counteracted increasing costs, though it is true that some trading, particularly overseas, was on a narrower margin. We have benefited, however, by a tendency to utilise more of our resources on the higher class ranges of our products.

The profits of the Group this year amount to £350,287 before taxation and after loss on exchange, and compare with £215,544 for 1954. This year £170,506 is absorbed by taxation. There have been the customary relative movements in overseas markets and varied results from subsidiary companies, but the net effect has been an increased contribution to the results of the Group.

The substantial extensions in the Tool Division are not complete and no result from these is apparent in this period. We do not anticipate any considerable benefit from them during 1956. It is our intention to continue re-equipment and improvement to the limit of our resources, but we are heavily committed by the programme already on hand and by the increased capital absorbed in amounts due from customers and in stock and work in progress. Plant and premises are well maintained and the quality of our products is under constant control.

The Board recommend the same rate of dividend as for the year 1954, i.e. a final dividend of 5½ per cent, which, together with the interim dividend of 2½ per cent already paid, makes a total of 8 per cent for the year. It is proposed to transfer £20,000 from Stock and Contingencies Reserve and to appropriate £100,000 to General Reserve, leaving a carry forward of £175,717 as compared with £146,831 in 1954.

CONTINUALLY RISING COSTS

The continued rise in costs gives us even greater concern than last year as it proceeds unabated, with particular impact on wages and the supplies and services from the Nationalised Industries. We have no measure of control over these except in so far as we can offset them by increased efficiency and economy, and we are now less able to recover such increases in our selling prices, particularly on our extensive overseas trade.

Considering the general trading position as it is today, we find little change from that existing at the close of 1955—a good demand, a satisfactory order book in most sections, a similar distribution in sales between home and overseas markets, and a wide spread in our trading. The present indications are, towards a continuance of these conditions, and unless there is a fall in the level of demand, some unforeseen detrimental factor, or further rises in costs, similar results for the current trading period may be anticipated.

The report and accounts were adopted.

GENERAL MINING AND FINANCE CORPORATION LIMITED

(Incorporated in the Union of South Africa)

SUMMARY OF CHAIRMAN'S ADDRESS TO SHAREHOLDERS

At the Annual General Meeting held on June 26, 1956, the Chairman, in the course of his address to shareholders said that the year to December 31, 1955, was the first full year following the merger of Strathmore Consolidated Investments Limited with the Corporation. For the first time net revenue from dividends on investments, from supervision of Companies and from other sources had exceeded £1,000,000, but profits on share transactions had been negligible. This was not dissimilar to the experience of some other Mining and Financial Houses in Johannesburg, and might be attributed to an inactive stock market for which there had been many reasons not arising solely from conditions within the Union. The Bank Rates, both in the United Kingdom and in South Africa, had been raised during the year and other restrictive financial measures had been adopted, with the result that the volume of capital circulating had declined, noticeably in the gold share market.

At the end of the year it had been necessary to write down certain of the Corporation's quoted investments because of the decline in market prices, and also to provide for reductions in the estimated values of some of the unquoted investments. In all £540,000 had been provided, £475,000 from Reserves and the balance of £65,000 from profits for the year. The market value of quoted investments at the close of the year, as shown in the Consolidated Balance Sheet, was in excess of £13,700,000, while in the opinion of the Directors the aggregate value of the unquoted investments was substantially in excess of their book value. The ordinary dividend had been maintained at 5s. per share.

The low level of activity in the market had resulted in difficulties in the finance of new ventures and expansion programmes, but so far the gold mining industry had succeeded in finding the necessary funds. In so far as the Corporation was concerned the Accounts disclosed that its resources were fully employed and consideration would have to be given to the provision of funds to meet the commitments which had been undertaken.

As the President of the Chamber of Mines had said the previous day, the importance of an inflow of capital into the country could not be over-stressed and conditions attractive to foreign investors included freedom of movement of capital and absence of any hint of control. The imposition of controls was never an inducement to confidence and it was to be hoped that such measures would be relaxed as soon as possible and that nothing would be done to hamper the inflow of capital.

The Gold Mining Industry was

peculiarly placed in world affairs as the price of its product was not subject to the laws of supply and demand, but was governed by statutory actions and by International agreements. In inflationary circumstances it followed that gold mining was the most adversely affected of all mining activities, but there were signs that the tempo of expansion throughout the world was reaching a stage where a period of consolidation would set in. If that trend continued, a lowering of commodity prices could be expected, which in turn would mean a reduction in mining costs, but not accompanied by a fall in the price of gold.

Some of the older mines on the Witwatersrand were experiencing difficulty in operating at a profit, and the attention of the Union Government had been drawn to the problem. New legislation had been introduced increasing the benefits provided under the Silicosis Act, part of the cost of the improvements being borne by the Government. The formula tax, applicable to the taxation of gold mines, had been reduced and it was estimated that the relief to the Industry would total £700,000. These two actions were very much appreciated as showing the desire of the Government to assist the Industry where possible.

There were many new mines either reaching production or increasing their capacities, and the foreign currency which would become available to the Union through the sale of gold and uranium should steadily increase.

The major mining interests acquired by the Corporation as a result of the amalgamation with Strathmore, were Stilfontein and Buffelsfontein. Stilfontein had reached the dividend paying stage but was still increasing the capacity of its reduction plant. Development had commenced at Buffelsfontein and was highly satisfactory. The Corporation could look forward to increasing dividend income from these two sources.

It had been necessary to reassess the value of the Ellaton Gold Mining Company, which had been considered to have good prospects at the time of the amalgamation, but adverse factors had indicated a serious reduction in the life of that mine. Provision had been made in the Corporation's Accounts against possible losses.

The West Rand Consolidated Mines continue to be one of the Corporation's main sources of income. Operations were mainly directed towards the production of uranium, under an agreement current until December 31, 1964, but he was not in a position to discuss the possibility of the agreement being extended. By that time the South African uranium producers might well be favourably placed to

compete in world uranium markets, especially as the loans obtained for the erection of the uranium plants would have been fully repaid and the plants thus fully amortised.

At South Roodeport Main Reef Areas, operations continued to be very satisfactory. Dividends declared during 1955 had been increased by 3d. to a total of 1s. 9d. per share, and the dividend declared in June 1956 had been further increased by 3d. per share over the dividend declared twelve months previously.

The Chairman was able to inform shareholders that approval had been given earlier that morning at a meeting of stockholders of General Exploration Orange Free State Limited, to an agreement for the cession to Riebeeck Gold Mining Company Limited of mineral rights held respectively by General Exploration Orange Free State Limited and Middle Witwatersrand (Western) Areas Limited in the van den Heeverstrust area of the Orange Free State.

The Riebeeck Company would apply for a mining lease over an area of approximately 2,415 claims. Very encouraging results had been obtained in the course of an extensive drilling programme, particularly in a series of Upper Reefs which had not yet been found to exist elsewhere in the Orange Free State goldfields. In the opinion of the Directors, the Riebeeck Gold Mining Company would be an attractive mining venture, and the arrangements made provision for the possibility of two separate Mining Companies to work on a lateral division of reefs. Twin crosscuts would be driven by Loraine Gold Mines Limited from their No. 2 Shaft towards the proposed lease area, and the Chairman was looking forward with great interest to the detailed information which would become available as development proceeded.

The Corporation had substantial interests in a number of other mines in the Orange Free State and dividend income was bound to improve as those Companies proceeded towards their contemplated full production programmes. The Corporation was also interested in copper, platinum and coal and in industrial interests.

The Chairman referred to the commencement of excavations for the new building at the corner of Main and Holland Streets. He also thanked Messrs P. H. Anderson and W. M. Frames for their services to the Corporation whilst members of the Board.

Copies of the full speech may be obtained on application to the London Office.



BANCO di SICILIA

HEAD OFFICE: PALERMO (ITALY)

Origin of Foundation : 1459

BALANCE SHEET AS AT 31st DECEMBER, 1955

LIABILITIES		ASSETS	
Capital	Lit. 799,992,000	Cash and Balances due from Banks	Lit. 30,293,086,231
Reserves	" 5,060,038,300	Government Securities	" 4,736,161,477
Special Reserves	" 8,221,340,967	Other Securities	" 6,879,923,013
Special Funds Reserved for the Development of the Sicilian Economy	" 16,095,760,125	Investments and Participations	" 1,665,349,321
Undivided Profits	" 558,685,752	Bills Receivable and Treasury Notes Discounted	" 109,990,152,991
Deposits and Savings Accounts	" 327,020,933,974	Advances on Current Accounts	" 135,442,696,891
Bills Payable	" 13,996,495,454	Loans Against Securities	" 31,752,010,654
Acceptances and Bills Rediscounted and Letters of Credit Outstanding (as per contra)	" 25,875,653,531	Long-term Loans	" 56,335,934,749
Other Liabilities	" 63,714,096,922	Acceptances and Bills Rediscounted and Letters of Credit Outstanding (as per contra)	" 25,875,653,531
		Furniture, Fittings and Equipment	" 57,387,384,650
		Other Assets	" 57,387,384,650
Total Liabilities	Lit. 461,342,995,025	Total Assets	Lit. 461,342,995,025
Customers' Securities Held for Safe-keeping (as per contra)	" 75,350,345,250	Customers' Securities Held for Safe-keeping (as per contra)	" 75,350,345,250
Securities on Deposit with Other Banks (as per contra)	" 57,054,294,653	Securities on Deposit with Other Banks (as per contra)	" 57,054,294,653
Foreign Exchange and Securities for Future Delivery (as per contra)	" 6,803,935,494	Foreign Exchange and Securities for Future Delivery (as per contra)	" 6,803,935,494
	Lit. 600,551,570,422		Lit. 600,551,570,422

Capital, Reserves and Special Funds : Lit. 30,601,183,921

BLEACHERS' ASSOCIATION LIMITED

STATEMENT BY THE CHAIRMAN,
MR P. L. WRIGHT

The Annual General Meeting of Bleachers' Association Limited will be held on July 20th, at Blackfriars House, Parsonage, Manchester.

The following is the statement by the Chairman, Mr P. L. Wright, which has been circulated with the report and accounts for the year ended March 31, 1956:

The profits of the Association for the year, after taking into account dividends received from Subsidiary Companies, but before taxation, amount to £765,000—a reduction of £178,000 compared with the previous year. Income Tax and Profits Tax absorb £404,000 against taxation last year of £493,000, and provision for Superannuation Fund this year is nil against £35,000 last year. The net profit after taxation is therefore £361,000 and compares with £415,000 a year ago. This figure is increased by £75,000 in respect of taxation provisions no longer required and, together with the balance brought forward from the previous year of £198,000, there is a balance available in the Association's Accounts of £634,000 against a balance last year of £612,000. Out of this sum which is available for appropriation the Board have applied £100,000 to General Reserve Fund and £100,000 to Fixed Assets Replacement Fund and, after providing for Preference Dividend, your Directors recommend a dividend at the rate of 10 per cent and a Bonus of 2½ per cent on the Ordinary Stock for the year. These Preference and Ordinary dividends will absorb £215,904, leaving £218,397 to be carried forward to the next Accounts.

CULTIVATION OF NEW FIELDS

The Association's figures have been fortified by dividends declared by those of our Subsidiary and Associated Companies which operate outside the field of textiles. We intend to continue the policy we have followed during recent years in building up those interests in order to sustain our earnings from the finishing of textiles, which may well be affected by the industry's contraction. The cultivation of new fields must, of necessity, be a gradual process which will not bear full fruit for some years to come, while there will no doubt be ups and downs in the process. Inevitably this policy must also entail the strengthening and retention in the business of adequate reserves and we have this in view, as well as the modernisation of our existing plant, in recommending transfers to Revenue Reserves.

The liquid position of the Association is satisfactory, despite an increase of £95,000 in our investments in Subsidiary and Associated Companies and considerable expenditure on certain of their buildings and plant. At the works of Greenwich Plastics Limited, where the improvements I mentioned last year are nearing completion, they will shortly be bringing into operation machinery capable of producing the highest grade of thin plastic sheet and also, as the result of an agreement with a leading German firm, they will become the first in this country to manufacture a new type of plastic film, which has properties for which there is a growing demand.

HOME AND EXPORT TRADE

When I reported to you last year I told you that demand for cotton cloth was falling off and that the immediate prospects were less favourable. In point of fact there has been a slow but steady decline in the amount of business available to us during the year, and our earnings from this source are affected accordingly. In the home market there has been a tendency to purchase goods only when they were urgently required, while the export trade has diminished still further, due largely to the combination of self-sufficiency and rapid industrial progress which has taken root in almost every country to which we formerly exported our finishes.

MENACE OF FOREIGN IMPORTS

Two underlying factors have influenced the cotton piece goods trade during the last twelve months. Firstly, extreme lack of confidence in the price of raw cotton; secondly, invasion of the home market by cheap imports from India and Hong Kong. Both subjects have been so widely and publicly ventilated that those inside and those outside of Lancashire must be well acquainted with the details. In neither case is any control within the power of the industry. Only the United States Government can solve the difficult situation created by its vast accumulation of stocks of raw cotton, and only our own Government has the power effectively to deal with the menace of these importations of cloth and made-up articles. Both India and Hong Kong can sell at prices much below Lancashire's cost of production and there seems no reason, unless early steps are taken, why their competitive range should not widen. National dependence on supplies from the Far East is strategically unthinkable and yet, if the present tendency is allowed to continue without restriction, that is the position which may be reached. That the cotton trade can do more than it does to help itself in several ways may well be true, but here is a situation which can only be dealt with by Government intervention. A well-stated case on the implications of these cheap imports has recently been presented to the Board of Trade, but has failed to elicit any apparent appreciation of the real dangers involved. Eventually, without much doubt restrictive action against this growing menace will be taken by a Government of one shade or another, but meanwhile the more efficient firms as well as the less efficient will be forced out of business and a more calculated reorientation of the industry (which has such a high degree of specialisation) may well be prejudiced. There is, moreover, a serious danger that haphazard contraction which is now going on may cause the withdrawal from the industry of more plant and machinery than might be found necessary in the long run.

FUTURE PROSPECTS

Although the outlook for the current year cannot be described as cheerful, changes in the cotton trade can come suddenly, and it seems unlikely that the present very reduced activity will persist throughout the year. But, come what may, I am sure that we can con-

tend successfully with any difficulties which are within our control.

DIRECTORATE

You will see from our Report accompanying the Accounts that Mr J. C. Guinness retires and is not offering himself for re-election to the Board. Mr Guinness has given devoted service to the Company for forty-three years and has been a member of the Board since 1933. We shall greatly miss his friendly personality, and I am sure that you will join with me in wishing him a long and happy retirement on pension.

You will also see that the Board have elected Mr E. G. Gould to join them. Mr Gould was appointed Secretary to the Company in 1951, and we are well assured from our knowledge of him, and our experience of his energy and ability, that his appointment to our Board will be of material advantage to the Company. You will be asked to confirm this appointment at the forthcoming meeting of Stockholders.

TRIBUTE TO STAFF

We are immensely indebted to all those who direct and work in the Company's business for the willing and enthusiastic service which is so vital in bringing success to the Association. I would particularly like to include in this expression of thanks the fifty-one old employees, ranging in age from sixty to eighty, who have left our service during the past year with an aggregate of 2,433 years' service, and to whom I have recently had the pleasure of presenting Long Service Certificates. With such a loyal body of men and women, Stockholders may rest assured that their interests are well looked after.

ROCK INVESTMENT COMPANY, LIMITED

FURTHER PROGRESS

The thirty-seventh annual general meeting of this Company was held on June 20th in London, Mr C. W. Black, JP, MP, FRICS, FAL, chairman, presiding.

The following is an extract from his circulated statement for the year 1955:

The past year has seen further progress in the rebuilding of the fortunes of your company. We have received dividends on the share capital of our wholly owned subsidiary, The Oak Property Company Limited, at the rate of 5½ per cent on the Cumulative Preference shares, and 25½ per cent on the Ordinary shares, in each case subject to deduction of income tax. It is proposed to pay a dividend for the year of 4½ per cent, less income tax, which compares with 3½ per cent, less income tax, in the previous year.

The consolidated accounts of the company and its subsidiaries indicate the substantial progress which has been made during the past year. Property and general revenue after charging ground rents and other expenses has risen from £37,477 in 1954 to £44,944; profits less losses on sales of property in property-dealing companies from £16,132 to £12,578 and profits before taxation from £25,400 to £26,197.

After deduction of mortgages and other liabilities which will then be outstanding, the company will hold at the end of this year on the basis of a recent valuation, net assets of a value of over £530,000. I feel confident that stockholders will share the pleasure which your Directors feel in the satisfactory progress which has been achieved.

The report and accounts were adopted.

NORTH CENTRAL WAGON AND FINANCE COMPANY LIMITED

RECORD NEW BUSINESS

The Ninety-sixth Annual General Meeting was held on June 26th at Rotherham, Mr E. Duncan Taylor, Chairman of the Company, presiding.

The following is an abstract of the Directors' Report circulated with the Accounts for the year ended December 31, 1955:

The Group profit for the year before taxation amounted to £924,634 as compared with £731,210 for 1954.

ORDINARY DIVIDEND AND CAPITAL BONUS

The Directors again recommend the payment of a final dividend of 9d. per share less tax making a total dividend of 1s. per share less tax and also recommend a distribution out of realised accretions to capital of 7½d. for each Ordinary Share, as compared with 4½d. last year.

Based on book values of assets the total distribution to Shareholders represents approximately 8½ per cent, subject to Income Tax, on the paid up capital and reserves at December 31, 1955. Restrictions upon bank loans and the raising of permanent capital have emphasised the value of ploughing back a substantial part of our profit. Such a policy affords increased protection to those who provide us with the means of carrying on and developing our business and at the same time assists in maintaining and increasing its earning capacity.

TAXATION

The amount set aside for taxation on the profit for the year, including £141,889 in respect of Profits Tax Non-Distribution Relief, absorbed £577,771 or 12s. 6d. in the £ on all our earnings. The sum of £50,000 has been provided out of the unappropriated profit at December 31, 1954, to meet the estimated liability to Excess Profits Levy for the two years to December 31, 1953, which has not yet been agreed.

CAPITAL AND RESERVES

The total of capital, reserves, interest of outside shareholders and amounts set aside for future taxation and pensions amounts to £3,271,921, an increase for the year of £478,369. A resolution will be submitted providing for the capitalisation of £375,000 of the Company's reserves by paying up 5s. per issued Ordinary Share at present paid up to the extent of 5s. per share only.

EXPANSION OF BUSINESS

New business accepted during 1955 was a record and is reflected in the increase of £547,545 in the book value of the assets of the Group to £19,731,188. The proportion of revenue from hire purchase agreements relating to the period subsequent to the Balance Sheet date amounted to £2,570,306, an increase of £835,098.

PROSPECTS FOR 1956

The Group profits for the years 1956 and 1957 will be adversely affected by hire purchase controls which came into operation in February and also by the successive

increases in Bank rate during the past eighteen months.

Our earnings depend much more upon the business on our books at the commencement of the year than upon new business accepted during the year and unless at December 31st next the aggregate amount receivable by the group under agreements then current falls short of the figure of approximately £14,678,000 at December 31, 1954, it is unlikely that our earnings during 1956 before charging interest on borrowed money or taxation will be materially less than last year. Any reduction in new business this year will be reflected in decreased earnings next year.

It is not always realised that our agreements are entered into for fixed periods and that we are unable to pass on to our existing hirers any increased interest charges which become payable to bankers and others following a change in Bank rate.

An increase in Bank rate is quickly reflected in the rates of interest payable on our borrowed money and the importance of this factor will be appreciated when it is remembered that an average increase of 1 per cent in the rate of interest payable on borrowed money may cost the group £150,000 per annum. Although our earnings during 1956 may be maintained our net profit after providing for interest on borrowed money will be reduced if the present high rates of interest continue.

OFFICE ACCOMMODATION

The extension of our head office premises at Rotherham is nearly completed and will provide us with much needed accommodation. Progress is also being made in our plans to increase the office accommodation of our subsidiary companies at London, Brighton and Canterbury.

SELIGMAN BROTHERS

Seligman Brothers, in which we have a substantial interest, have had a successful year and have made a useful contribution to the group profits.

EXECUTIVE AND STAFF

The shareholders will, I feel sure, desire to join with the Directors in paying a well deserved tribute to the executives and staffs of the parent and subsidiary companies and to our representatives throughout the country who have so loyally and efficiently served the Company's interests.

DIRECTORATE

On June 30, 1955, Mr W. F. Peet and Mr W. C. Thorne resigned from the Board on medical advice after serving for 23 years and 11 years respectively and their colleagues desire to place on record their appreciation of the services which they rendered to the Company.

Mr C. W. A. Ray was appointed a director to fill one of these vacancies.

The Report and Accounts were adopted and the resolutions submitted to the Meeting were approved.

ASSOCIATED AUTOMATION

The twenty-eighth annual general meeting of Associated Automation Limited was held on June 28th in London, Rear Admiral Sir Alex D. McGlashan, KBE, CB, DSO, MIMechE, chairman, presiding.

The following is an extract from his circulated statement:

Firstly, in September, 1955, the issued capital was increased from £322,560 to £700,000. Secondly, the re-conditioning and equipping of the Cobbold Road, Willesden, factory. Thirdly, an increase in sales of some 20 per cent over the figure for 1954. Unfortunately, costs also increased in relation to prices obtainable for our products, with the result that the net profits differ little from those of 1954. The amount allocated for the proposed Dividend, £20,125, is covered by Group earnings for the year (after tax) of £33,026, compared with a dividend of £18,547 and earnings of £21,278 in 1954.

The parent Company's name has been changed to Associated Automation Limited, while the name Hall Telephone Accessories Limited is retained in the Group. As to the future, automation is of paramount importance in this country especially, because of our dependence on overseas trade.

The Vending Machine market is believed to be ready for large scale development, and to this we are alive. GPO and Admiralty Contracts continue to play a significant part in your business. In the Business Machine field we are creating more capacity to meet the rapidly growing demand for the products of this division. The current trend in figures for output and orders on hand is good.

The report and accounts were adopted.

DAVIS ESTATES

ENCOURAGING PROGRESS

The twentieth annual general meeting of Davis Estates Limited was held on June 28th in London, Mr A. F. Davis, chairman and managing director, presiding.

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

The Group profit before providing for taxation is £349,345, a decrease of £33,396 from the 1954 figure, which is very largely due to the increased provision for depreciation. The charge for taxation (excluding the Profits Tax Distribution charge on the Preference Dividend) is £167,143, leaving a net profit of £182,202.

The resources employed in the Company's main activity, namely Estate Development, again show a considerable increase as compared with last year, the figures being £861,532 as against £576,745.

In addition to the building of houses, the Company is also building flats and maisonettes for sale, and continues its development of shopping sites in selected areas.

The improved results for 1955 have enabled the Company on September 30, 1955, to pay off the five years' outstanding arrears of Preference Dividend and a further half-year to June 30, 1955. In addition, the Dividend for the second half of 1955 has been provided for in the accounts before you and was paid on January 1, 1956.

The Board are pleased to inform you that the year under review has been one of continuing progress for your Company. Subject to no unforeseen circumstances, we look forward to another successful year.

The report and accounts were adopted.

LICENSES & GENERAL INSURANCE

The Sixty-sixth Ordinary General Meeting of the Licenses & General Insurance Company, Limited, was held on June 20th in London.

Mr Victor Thomson, chairman, who presided, said: Students of Insurance accounts will have realised that the general experience of 1955 has been somewhat mixed and on the Accident side of the business results in the main leave something to be desired; poor underwriting profits, attributable to the general experience in Motor, has left Accident accounts with very thin profits.

Turning to the Life Department, the 4th Quinquennial valuation reveals an excellent position. During the period of development in this account we have made quiet but consistent progress. It is our anticipation that the advance will continue unabated.

The Fire account gives an increased profit of £20,526 more than in 1954; the underwriting profit is most satisfactory. The Miscellaneous account repeats last year's profit.

Then let me refer to Marine, with the transfer to Profit and Loss of £35,000. There is an increase of income this year with an accompanying improvement in the experience.

In the Profit and Loss accounts we get an available £105,160 of which to dispose. We propose to add to the General Reserve, which will then amount to £296,237, to provide for the final dividend of 15 per cent and to carry forward £32,785.

It only remains for me to call your attention to the increase of assets to £6,226,725—the indication of a forward step.

The report was adopted.

INTERNATIONAL PAINTS (HOLDINGS) EXPANSION OF EXPORTS

The forty-eighth annual general meeting of International Paints (Holdings) Limited, was held on June 21st in London, Mr Charles R. Petrie (chairman and managing director) presiding. The following is an extract from his circulated statement for 1955:

In the Export field, our turnover showed a most encouraging expansion, but here again the profit margin was materially affected by increased costs which it was impossible to recover owing to foreign competition, and unless a halt is called to the ever-increasing rises in operating costs, coal, gas, electricity, rates and frequent wage increases, then it will only be possible to maintain exports at unremunerative prices with a considerable sacrifice of profit.

The Consolidated Balance Sheet shows the total assets of the Group at £8,917,604, comprising Fixed Assets of £1,873,257, Trade Investments £79,310 and Current Assets of £6,965,037, whilst Current Liabilities and Debentures total £2,258,222, leaving a net worth of £6,659,382, the Minority Interests in this being £741,589.

Since the beginning of the year, I am glad to say that further progress can be reported, both at home and abroad, and all indications are that this year's results will compare favourably with the past.

The Company, founded in 1881, is just completing its seventy-fifth year, and we shall be celebrating our seventy-fifth Anniversary suitably with our employees later in the year.

The report and accounts were adopted.

JOHN BRIGHT & BROTHERS, LIMITED

The thirty-third annual general meeting of John Bright & Brothers, Limited, was held on June 27th in London.

Dr E. P. Andreae, chairman of the company, reminded Stockholders of what he described as the outstanding event of the year, viz the purchase of the entire issued Share Capital of James Stott Limited, of Oldham. In the course of his speech he said:

The purchase consideration was satisfied by the issue, credited as fully paid, to the Shareholders of James Stott Limited of 800,000 of the unissued Ordinary Shares of 5s. each in the Capital of your Company and a cash payment of £1 million.

Against this the net current assets of Stotts amounted to £1,333,599. This means, in effect, that of the total consideration paid, the sum of only £466,401 was attributable to the fixed assets of Stotts, which included the land, four Mills and their machinery and equipment. Since the acquisition a recent professional valuation assessed these fixtures at £986,460. Nothing was paid for the valuable goodwill of the Company.

As far as the parent Company is concerned, this year's profit on Trading, viz, £1,025,513, compares with a figure of £1,033,010 for last year. The net profit, however, shows an increase of £17,759 on last year's figures, and is due mainly to credits in respect of taxation adjustments. Your Directors again recommend the payment of a dividend of 15 per cent on the Ordinary Stock, making a total of 25 per cent for the year.

The combined fixed assets stand in the Balance Sheet at a written down figure of cost of almost £2 million and the current assets exceed current liabilities by almost £3 million. This, I think, shows an impressively strong position.

Output has been remarkably close to that of the preceding year. The Gross Trading Profit, however, shows a slight reduction of some £7,500, indicating the falling trend of margins, which became increasingly pronounced towards the end of the year.

CURRENT YEAR'S OUTLOOK

I regret to say that since the publication of our Accounts prices have again suffered a very substantial cut which will undoubtedly make itself felt in the current year. It will be our endeavour to meet this new challenge and I feel confident that we shall, in the long run, be successful.

The new Tyre Fabric Factory to which I referred last year is nearing completion and should be in full production by the end of this year.

As we only came into possession of the Stott Company as a Subsidiary during November last we have chiefly been engaged on the task of streamlining the production of that Company with a view to closer co-operation. It is already obvious that considerable economies can be effected by this means.

As to the current year's prospects, at the moment at any rate it is very difficult to gauge the effect on our Profits of the most recent cuts in price margins. We are doing our best to offset their effect by reducing costs where possible and we are in this respect looking forward to advantages to be gained by streamlining production with that of our Subsidiary. Taken over a 12-month period the volume of business has been steady and satisfactory and I think on the whole we may look forward to the future with confidence.

The report and accounts were adopted.

F. FRANCIS & SONS LIMITED

INCREASED TURNOVER DESPITE RAW MATERIAL DIFFICULTIES

MR FRANK COX'S STATEMENT

The fifty-fifth annual general meeting was held on June 26th in London, Mr Frank Cox (Chairman and Joint Managing Director) presiding.

The following is an extract from his circulated statement:

Profit of the Group is £408,438. Provision for taxation is £195,800. After adding the amounts brought forward we arrive at a total of £460,383. We have transferred to General Reserve £40,000 bringing this to the satisfactory figure of £400,000. Your Board recommends a final Ordinary dividend of 16 per cent making 20 per cent for the year. The balance of unappropriated profits is increased from £247,745 to £349,371.

The general position from a trading point of view shows a considerable increase in turnover from the previous year, but it has been the policy of the Company to absorb to a very considerable extent the increases in wages and costs of materials without increasing prices. How long this can go on it is impossible to say, and as it is at the moment it can only be done by strict attention to management on an increasing turnover.

The order book and prospects are good, and unless unforeseen circumstances arise I think we shall very well hold our position in those fields in which we operate.

The report was adopted.

SOCIÉTÉ ANONYME DES AUTOMOBILES PEUGEOT Paris

ANNUAL ORDINARY GENERAL MEETING

NEW PAY AGREEMENT CONCLUDED

The ordinary general meeting of The Société Anonyme des Automobiles Peugeot was held in Paris on June 21, 1956. M. Jean-Pierre Peugeot presided.

The meeting approved the report and accounts for the financial year 1955 and fixed the dividend at 1,387 Frs. 50 gross per share of 7,500 Frs. This will be payable on June 23rd at the rate of 1,147 Frs. net (cp. No. 9).

RE-APPOINTMENT OF M. FRANÇOIS PEUGEOT

M. François Peugeot's term of office was renewed for a period of six years and the appointment of M. Roland Peugeot as a director was approved by the meeting.

The report of the board summarises the various activities of the Company—commercial, industrial, financial and also labour relations. With regard to the latter an agreement on pay has been concluded with the employees, linking their interests more closely with those of the Company. Thus over and above wages the bonus that will be paid for the financial year 1955 will virtually amount to 60 per cent of the net dividend distributed to shareholders.

GODFREY PHILLIPS TRADING PROFIT MAINTAINED

The forty-seventh annual general meeting of Godfrey Phillips, Limited, was held on June 26th in London.

Mr P. A. Godfrey Phillips (chairman and managing director), in the course of his speech, said: The Trading Profit, after charging £325,287 in respect of Exceptional Advertising Expenditure to Development and Contingencies Reserve, shows a slight increase over that for 1954, but higher charges for Interest and to a lesser extent for Depreciation combine to effect a substantial reduction in the Group Profit for the year before Taxation, which amounts to £206,657 compared with £314,189 for the previous year.

This is a great disappointment to your Board, who had hoped to be able to show some improvement in the accounts now before you and as a result of persistent effort and the steps taken to meet the highly competitive situation in the Home Market it was anticipated that 1955 would prove to be the turning point. A sharp set-back to our fortunes in Australia nullified the advances we had been able to make in other directions. Nevertheless, the Trading Profit was maintained, but Interest charges of £275,359 compared with £184,732 in 1954 had a most adverse effect. Two factors have been responsible for this: the sharp increase in money rates and the high level of tobacco duty.

THE HOME MARKET

I will now turn to the position in the Home Market, in which over the last two years we have made a vigorous and sustained effort. This has mainly been directed to establishing Red & White Cigarettes as a leading seller in the higher of the two main price classes and De Reszke filter tipped as a serious runner in the lower price class. De Reszke filter tipped has established a firm bridgehead and is moving forward, but the sale achieved for Red & White is still considerably short of our hopes. It would appear that the role of the smaller manufacturer lies in the field of speciality cigarettes such as filter tipped, the sales of which are steadily growing both to men as well as women. The improved home sales trend during 1955 has continued during the present year.

THE DOBIE ACQUISITION

With a view to broadening the basis of our Home Trade and to take full advantage of our selling and distribution organisations, we entered into negotiations towards the close of the year for the acquisition of the Goodwill and Trade Marks and Subsidiary Companies of the old established business of George Dobie and Son Limited, and these were successfully completed in January last and are already making a valuable contribution. This includes the world rights to the Four Square brand, which enjoys a sale wherever British tobaccos have a market, and the goodwill of Pritchard and Burton, Limited, whose Boar's Head tobacco has for long had a steady and profitable sale.

In other respects also, there are encouraging signs in our Home Trade. Sales of De Reszke Filters which I reported last year were showing a steady improvement have continued to expand, and our main tobacco brands maintain their popularity.

In Export markets generally we have maintained our trade, and although competition is very severe and margins of profit are not always entirely adequate, the overall position must be considered as satisfactory.

The report was adopted.

ARGUS PRESS HOLDINGS MR H. C. DRAYTON ON RESTRICTIVE PRACTICES

The twenty-seventh ordinary general meeting of The Argus Press Holdings Limited was held on June 27th in London.

Mr H. C. Drayton, the Chairman, in the course of his speech said: Our profits, before tax, were £248,000 as against £269,000, and after expenses and income tax we have £82,000 as against £95,000. Your Directors recommend a 20 per cent dividend on the Ordinary shares.

During 1955 the whole industry was engaged in wage negotiations and we also had a railway strike. The result was that our expenses went up and our circulations, in certain instances, went down.

During 1955 we acquired a controlling interest in Industrial Newspapers Limited. The reason we bought Industrial Newspapers is that their publications fit in with a number of ours. We can run those publications together more efficiently, and they have a very big printing account; we are hopeful that as we get closer together the two organisations on the printing side will show economies and reflect, we hope, more profit for your Company.

We had a labour dispute this year and that went on a great length of time. In this industry today we are faced with rising costs and we are faced with restrictive workings. These are to no one's benefit, either to the men on the floor or the shareholders. These restrictive practices are going to react on everyone in the industry, who suffer as a whole.

The report and accounts were adopted.

THE ZAMBESIA EXPLORING COMPANY

The Annual General Meeting of The Zambesia Exploring Company, Limited, was held on June 27th in London, Captain The Right Honourable Charles Waterhouse, PC, MC, DL, MP (Chairman), presided.

The Chairman's circulated Review stated that the profit before taxation for the year ended March 31, 1956, was £68,820 for the Parent Company and £121,665 for its wholly-owned subsidiary, The Zambesia Investment Company, Limited, making a total of £190,485. After providing for current taxation, allowing for adjustment of taxation of previous years, transferring the sum of £50,000 from General Reserve, and bringing into account the balance brought forward, a balance of £119,872 remained available for appropriation in the Parent Company. An interim dividend of 4 per cent less tax had been paid, and provision made for a final dividend of 13½ per cent, less tax, making a total of 17½ per cent for the year. The profit of the subsidiary Company after taxation, which amounted to £63,933, had not been distributed but had been added to the balance carried forward, which had been increased thereby to £226,715. The total reserves of the parent and subsidiary companies taken together had increased from £557,661 to £605,832.

£45,429 of the unissued share capital had been offered to stockholders at par in the proportion of one new share for every complete £20 of Ordinary Stock held at April 27, 1956. The proceeds of the issue would assist the Company to play its part in the development of Central Africa.

The Report and Accounts were adopted.

LAMBERT BROTHERS LIMITED

A SUCCESSFUL YEAR'S TRADING

The fifty-third annual general meeting of Lambert Brothers Limited was held on June 28th in London, Mr. R. Rattcliff Steel (the Chairman) presiding.

The following is an extract from his circulated statement:

The accounts for the year 1955 show a net profit for the Group of £509,619 after charging taxation, £340,759. Deducting dividends paid and proposed, £86,789, and bringing in the balance of £768,490 from the last account there is the sum of £1,191,320 for further appropriation.

The sum of £75,000 has been put to Provision for Pensions, making a total of £153,274, which just covers the contingent liability at this date. A further sum of £380,000, of which £296,024 comes from the year's trading profits, has been transferred to Fleet Replacement Reserve, which now stands at £1,680,000. The sum of £362,500 has been transferred to General Reserve, making the total of £1,062,500.

You have received details of the proposed scrip issue of shares on a one-for-one basis. This capitalisation will take £562,500 out of the General Reserve, which will then stand at £500,000.

The additions to Capital Accretions Account have arisen in no case from the sale of our ships, but chiefly from the sale of our interests in foreign coaling depots where that trade has ceased. This has involved a diminution in the earning capacity of the Company, although in a successful year such as 1955 it is concealed by higher profits from other activities. In these circumstances it is no easy task for your Directors to weigh up the relative advantages to Stockholders of immediate distributions from the account and the retention of funds with which to embark on fresh ventures of which they are always in search. They hope that by making the special distribution of 10 per cent in December and repeating the final distribution of 3½ per cent, making 13½ per cent for the year, they have followed a course which will in the long run prove to be in the general interest of Stockholders.

After reviewing the Company's shipping interests, the statement continued: On the subject of taxation it is difficult to say anything fresh, but this is a matter which continues to cause us grave concern. The existing tax allowance may be adequate to replace a ship at the end of its life on the basis of its actual cost, but allows of no provision to be made towards rising costs—which continue to rise at an alarming rate.

Whilst it is gratifying that the Chancellor has recognised the special position of shipping by continuing the 20 per cent investment allowance when it was withdrawn from industry generally, this small concession to our shipping industry is negligible compared with the preferential treatment accorded to shipowners in other countries with maritime traditions, where practically the entire profit earned is permitted to be used for replacement. It is with such owners that we have to compete in the world freight markets and unless British shipowners receive more favourable treatment than at present it seems inevitable that our country's share of the total mercantile tonnage must continue to shrink—and in the not very distant future, almost to extinction.

The statement concluded with a review of the Company's activities at home and overseas. The report was adopted.

ISTITUTO MOBILIARE ITALIANO (IMI)

(Italian Finance Corporation)

Rome, Italy

The Annual General Meeting of the Istituto Mobiliare Italiano (IMI) was held in Rome on June 14th under the chairmanship of On Stefano Siglienti, and the following are details of the report presented by the Board of Directors:

During the fiscal year ended March 31, 1956, IMI has given a considerable contribution to the Italian policy of economic development, both by granting increasing financial aid to the Italian industry and by making continual efforts to improve foreign capital investments in the country. In this particular sector, in fact, IMI has enlarged its usual sources of financial supply to foreign markets, borrowing considerable amounts from Switzerland. Moreover, it contracted new loans with Export-Import Bank of Washington, thus renewing the good relations already established with this American bank in 1947.

With regard to export financing, IMI has signed this year an important agreement with the Mexican Bank "Nacional Financiera" to promote Italian export of capital goods towards Mexico, and a similar agreement has been signed now with the "Banco Nacional do Desenvolvimento Economico" of Brazil.

The report goes on to underline the remarkable development of loans granted during the twelve months period ending March 31, 1956, which reached the amount of Lire 105,456 m. with an increase of 48.3 per cent on the preceding period. Said amount has been distributed as follows: ordinary loans Lit. 73,235 m.; Export-Import Bank loans Lit. 10,040 m.; loans granted by means of special State Funds Lit. 18,931 m.; loans granted on behalf of the European Community of Coal and Steel Lit. 3,249 m.

Ordinary loans outstanding therefore increased, after deduction of repayments, by Lit. 52,062 m. from Lit. 228,458 m. on March 31, 1955, to Lit. 280,520 m. Including the total of Lit. 290,607 m. outstanding for special operations at March 31, 1956, the aggregate amount of IMI financing on the same date, reached as high a figure as Lit. 571,128 m. (app. £326.3).

New bonds issued during the year amounted to Lit. 55,001 m., so that by March 31, 1956, the total of outstanding bonds had reached Lit. 249,648 m., with a net increase of Lit. 36,446 m. for the twelve months period. Liabilities bear moreover two new items, "Bonds issued abroad" and "Loans in foreign money," which appear on the balance-sheet for the total amount of Lit. 14,581 m.

The soundness of IMI economic and financial standing—which is already pointed out by figures mentioned above—is finally confirmed by the steady growth of reserve funds—from Lit. 15,100 m. to Lit. 19,218 m.—and by further increase of net profits, which reached Lit. 1,447 m. as against Lit. 1,139 m. in the previous fiscal year.

As a result of this further expansion in its activities, IMI has been able once again to distribute a dividend of 8 per cent on the paid-up capital, and to transfer the balance to the reserves raising them to more than Lit. 20,500 m.

The report and accounts were unanimously adopted.

THE BRITISH EMPIRE TRUST COMPANY, LIMITED

(Trustees, Registrars, Secretaries, Transfer Agents, Industrial Financing)

LARGER GROUP REVENUE

The Fifty-fourth Annual General Meeting of The British Empire Trust Company, Limited, was held on June 25th in London.

Sir Charles J. Hambro, KBE, MC, the chairman, after stating that he had been elected a director and appointed chairman on the retirement of Mr E. Ronald Crammond, said:

It is with pleasure that my first meeting with you coincides with the submission of satisfactory results. The total Group revenue at £203,487 has increased by £27,084; after deducting increased expenses, mainly due to higher charges for rent, the profit before taxation amounted to £162,360. The net profit of the Group for the year, after providing for taxation, amounted to £73,567 and your directors decided to recommend that dividends at the rate of 15 per cent be paid on the "A" and "B" Ordinary stocks. These dividends, together with the dividend on the 5 per cent Preference stock, will absorb £58,231, leaving a surplus of £15,336 to be retained in the Group.

The chairman referred to some changes in reserves and to the further increase of £175,326 in the appreciation of investments and said:

A geographical analysis of the investments valued at £2,808,978 as at April 30, 1956, showed that approximately 52 per cent was invested in Canada, 10 per cent in the United States, and 38 per cent elsewhere, mainly in the United Kingdom and Commonwealth. The proportion invested in Ordinary stocks and shares at the close of the year was 86 per cent.

The Canadian subsidiary, Betrust Investment Corporation Limited, again had a successful year and contributed both to the revenue and to the appreciation in value of the Group's investments.

During the year a group sponsored by Messrs Wood, Gundy & Company of Toronto, Hambros Bank Limited, London, and the Locana Corporation of London and Montreal have taken a large interest in the company. Your directors feel that through these connections our traditional links with Canada can be expanded, so that we may hope for an increase in our Registration Representation and Trustee business with that country.

The chairman continued:

During the last three years nearly every country, with the exception perhaps of the United States, has been over-spending on capital account. This has had the effect of creating over-employment followed by an excessive demand for consumer goods. The resultant rise in prices has caused acute economic indigestion. This has got to be cured, especially in a country such as the United Kingdom, which is dependent on its imports for nearly all forms of raw material and 50 per cent of its food. The so-called credit squeeze is one of the means by which this is being done, but, in addition, it will require a complete change of attitude with regard to effort and reward on the part of all if the prosperity of this country

is to continue and full employment maintained.

THE CURRENT YEAR

Lately, inflation has also appeared in Canada and the same correctives are being applied there. There is no doubt in our minds about the future prosperity of Canada and the United States, but it may be that 1956 will prove to be a year when the effects of over-prosperity will bring about a temporary recession of business. As a result, it is necessary to sound a note of caution about prospects for the present year.

An estimate of our income, however, shows that in the absence of any unforeseen developments some further improvement in the revenue from investments may be anticipated, and provided we can keep down our expenses, it is hoped that a satisfactory report can again be submitted.

The report and accounts were adopted.

COMPAGNIE GÉNÉRALE DE TÉLÉGRAPHIE SANS FIL

(Paris)

The annual general meeting held on June 15, 1956, with M. Robert Tabouis presiding, approved the report and accounts for the financial year 1955.

During the year the industrial turnover increased by 47 per cent, while the total turnover shows an advance of approximately 40 per cent.

The gross industrial and commercial revenue rose from Fr.1,081,394,114 to Fr.1,207,700,029. With an investment revenue of Fr.115,363,930 and miscellaneous receipts, gross profits have risen to Fr.1,345,230,997. The net profit shown in the profit and loss account amounted to Fr.370,679,008, against Fr.355,015,670 for the financial year 1954, after deduction of general expenses and capital charges, and allowing for an appropriation of Fr.428,491,936 for amortisation and other provisions, as well as for extraordinary expenditure totalling Fr.34,329,488.

A dividend of Fr.342 gross 6,275 (net Fr.300) was agreed, payable as from June 16th. It should be remembered that the dividend will be paid on a capital of Fr.2,370 million instead of Fr.1,580 million in the preceding year.

In its report the Board draws attention to the fact that the Company's profits have not matched the increase in turnover, this being in the main due to the restrictive effect of the steps taken to stabilise prices in France.

In his speech the president spoke of the expansion of the Company and the efforts which it had made towards the industrial exploitation of the results of its research.

In particular, he confirmed that negotiations, undertaken at the end of 1955 with American and French groups, had resulted at the beginning of the current financial year in the forming of a Company named "Intercontinental Electronics Corporation." It is intended that the Company should manufacture and sell in the United States plant and spare parts designed and developed by "La Compagnie Générale de T.S.F." The President also reviewed actions taken by the Company and associated companies in the field of atomic energy and in that of sound and vision broadcasting equipment.

APPOINTMENTS AUSTRALIA—UNIVERSITY OF NEW ENGLAND

ARMIDALE, NEW SOUTH WALES

Applications are invited for the position of Senior Lecturer in Economics. Commencing salary will be within the range £A1,800-£A2,150 per annum, according to qualifications, with annual increments of £A70. There is, in addition, a present cost-of-living adjustment of £A34 per annum for males and of £A26 per annum for females. The salary is subject to deductions under the State Superannuation Act.

The Senior Lecturer will be expected to undertake research and to assist in the administration of the Department, as well as to engage in normal teaching duties. 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 August 13, 1956.

VICTORIA UNIVERSITY COLLEGE

WELLINGTON, NEW ZEALAND

The Council of Victoria University College proposes shortly to appoint a Lecturer in Comparative Social Administration and invites applications from graduates in Social Administration or allied subjects. The salary will be £985 per annum, rising by annual increments of £50 to £1,235 per annum. The initial salary will be determined according to the qualifications and experience of the applicant. An allowance is made towards travelling expenses, and the successful applicant would be expected to take up his duties on February 1, 1957, or at such earlier or later date as may be agreed on by the College Council. Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in New Zealand and London, is September 14, 1956.

CHIEF EXECUTIVE DESIGNATE

The Western Region Production Development Board, with the approval and support of the Government of Western Region of Nigeria, intends to establish a Western Region Housing Trust. The objects of the Trust will be the development of Housing Estates as well as fostering the growth of home ownership on building society lines. Applications are invited for the post of CHIEF EXECUTIVE OFFICER DESIGNATE OF THE TRUST. In the preliminary stages his chief duties will be to assist in drafting legislation and in drawing up plans for the establishment and operation of the Trust. During this period he will be engaged on the staff of the Board, but subject to satisfactory performance, will become the Chief Officer of the Trust when formed.

Applicants should possess wide administrative experience in the fields of planning, development, construction and financing of housing areas and of home ownership schemes. Academic and professional qualifications will be an advantage. Salary will be £2,500-£3,500, point of entry depending on qualifications and experience.

Further details of the proposed Trust and of the Board's terms and conditions of service can be obtained from: The London Representative, Western Region Production Development Board, 18 Grosvenor Gardens, London, S.W.1.

to whom applications, giving full details of experience, qualifications, etc., should be addressed. Replies to reach him not later than July 31, 1956.

GENERAL EMPLOYMENT: House with basic furniture provided at rental of £150 per annum; up to 10 per cent Provident Fund; Outfit Allowance £60; Free medical service; Free passages for wife & home leave at full pay at the rate of five days per month of overseas service; normal length of tour 18-24 months.

CENTRAL ELECTRICITY AUTHORITY require an Information Officer in Public Relations Branch. Headquarters, W.I. Preference will be given to candidates possessing an Economics Degree or comparable qualification. An ability to write clear, simple English, experience of administration, information work, including collection, classification and indexing of material, preparation of information papers and abstracts, would be an advantage. Salary £740-£819 per annum.

Applications, stating age, present position and salary, full details of qualifications and experience, should be forwarded to: Moffat, Director of Establishments, Winsley Street, W.I. by July 6th. Quote Reference AE.840.

SALES ENGINEER

Due to expansion of our activities in India an exceptionally attractive opportunity arises for an unmarried man 26/35 years old who has had commercial experience following sound technical training preferably in mechanical engineering. Based on our Calcutta Office, the successful applicant will be responsible for application problems and sales in the wide field served by the mechanical power transmission products of the Fenner Group.

This is an important appointment with excellent prospects. Salary will be commensurate with qualifications and experience and there will be a generous Overseas Allowance. A Staff Pension Scheme is in operation. Applications, which will be considered in strict confidence, should give full details and be addressed to: The Sales Manager, J. H. Fenner & Co. (Overseas) Ltd., Warwick, Hull.

STATISTICIAN REQUIRED for Research and Development. Applicants should have good degree in either Mathematics or Physics. Good salary and prospects for suitable applicant. Pension scheme. Applications, stating age, qualifications, experience and present salary, should be addressed to: Personnel Manager, British Enka Limited, Alntrce, Liverpool, 9.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

(UNIVERSITY OF LONDON)

Applications are invited for an Assistant Lectureship in Social Anthropology. Salary scale £600 x £50-£700 per annum, with superannuation benefits and family allowances. In assessing the starting salary, due consideration will be given to age and experience. Applications, with the names of three referees, should be received not later than September 15, 1956, by the Secretary, London School of Economics and Political Science, Houghton Street, London, W.C.2, from whom further particulars may be obtained.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

(UNIVERSITY OF LONDON)

Applications are invited for appointment in October, 1956, to an Assistant Lectureship in Economics. Salary scale £600 x £50-£700 a year, with superannuation benefits and family allowances. Due consideration will be given to age and experience. Candidates are invited to indicate their special interests in the field of economics. Applications, with the names of three referees, should be received not later than August 30, 1956, by the Secretary, London School of Economics and Political Science, Houghton Street, London, W.C.2, from whom further particulars may be obtained.

UNIVERSITY OF CAMBRIDGE, Department of Estate Management.—Applications invited for two posts of Assistant in Research from October 1, 1956, or as soon as possible thereafter. Pensionable stipend £500-£700, subject to certain variations. Non-pensionable children's allowances. Applicants must hold either an honours degree in Economics, History, Economic History, Agricultural Economics, or Law, or a degree with a high-class Estate Management. Those appointed will be required to undertake research in economic, legal and social problems related to the ownership, tenure and development of land.—Further particulars of duties and stipend. The Board of Estate Management, 74 Trumpington Street, Cambridge, to whom applications should be sent not later than July 20, 1956.

THE ASSOCIATION OF BRITISH CHEMICAL MANUFACTURERS

requires a successor to the present Director, who has reached retirement age. The position is one of consequence in a progressive industry of considerable national importance, and would be attractive to a man of good personality, with some knowledge and experience in the chemical industry. An academic qualification in chemistry or chemical engineering would be an advantage, but not essential. The Director is required to organise and generally to direct the activities of the Association. An important part of the Director's work is the maintenance of close contacts with member firms throughout the country, with representatives of other industries and with Government departments.

Applicants should be about 50 years of age. Salary will be of the order of £4,000 per annum; actual salary will depend on the age and experience of the successful applicant. A pension scheme is available. Applications, with full particulars of experience and references, should be addressed in writing to: The Chairman of the Association of British Chemical Manufacturers, 16 Graham Street, London, N.1, not later than August 13, 1956.

ASSISTANT STATISTICIANS required by N.C.B.'s Statistics Branch at London Headquarters, with either (a) a degree in mathematical statistics or equivalent qualification, and experience in the application of statistical techniques (including punched cards) to practical problems (SS/325); or (b) a degree in economic statistics or equivalent qualification, and experience in drafting reports on statistical material (SS/326).

Appointments (superannuable) on the following inclusive scales: for (a)—(two posts), £770-£898 male, or £676-£824 female; (b)—£770-£898 male. Good promotion prospects. Write, with full particulars of age, education, qualifications and experience, to: National Coal Board, Staff Dept, Hobsart House, London, S.W.1, marking envelope with relevant SS reference number, before July 14, 1956.

INTERNATIONAL FINANCIAL SERVICES publishers, Headquarters New York, want collaborator in Europe with later opportunity to join American top executive staff. Requirements: fluency in English, sound knowledge of international finance, contact with financial markets, ability to establish personal contacts with leading personalities in banking and trading circles, organisational ability. After a period of collaboration trial position at New York office, and if mutually satisfactory, contract with salary and profit-sharing bonus is offered.—Box 455.

THE NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH has a vacancy in the grade of Research Officer (salary in the range of £700-£1,100, research officer) in connection with the statistical analysis of published company accounts. The appointment would be for one year in the first instance. Applications, with two references, should reach the Acting Secretary (from whom further particulars of the post may be obtained) at 2 Dean Trench Street, Smith Square, Westminster, S.W.1, by July 22nd.

STATISTICIAN (male), fully qualified required by City Shipping Office. Write stating qualifications, experience, age and salary to Box 2769, Deacon's Advertising, 36 Leadenhall Street, London, E.C.3.

GALLUP POLL: Research Assistant required.—Write in own handwriting, giving qualifications, experience, etc., 59, Brook Street, London, W.1.

The Economist: Annual Air Subscription Rates

Australia: £8.5s. (sterling)	Gibraltar, Malta: £3.15s.	Japan: £9	Rhodesia (N. & S.): £5.10s.
Canada: \$21.50 or £7.14s.	Hongkong: £7	Malaya: £6.15s.	S. America and W. Indies: £7.15s.
East Africa: £5.5s.	India & Ceylon: £6	New Zealand: £9 (sterling)	Sudan: £5.10s.
Egypt: £5.5s.	Iran: £6	Nigeria, Gold Coast: £5.5s.	Union of S. Africa: £5.10s.
Europe (except Poland): £4.15s.	Israel: £6	Pakistan: £6	U.S.A.: \$21.50 or £7.14s.

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NORTH-EAST DIVISION

Applications are invited for the vacancy of Organisation and Methods Officer in the Staff Department at Sheffield. Salary scale £1,700 x £35-£1,475.

The duties involve the study of organisation and methods at Divisional, Area and Colliery offices and the preparation of reports and recommendations thereon. Previous experience of O. & M. work and/or professional qualification is desirable and a knowledge of the organisation of the Mining Industry would be an advantage.

Applications, stating age, qualifications and experience, etc., should be forwarded to the Staff Director, National Coal Board, North-Eastern Division, Holmwood House, Ecclesall Road South, Sheffield, 11, by July 16, 1956. Envelopes should be marked "Staff Vacancy".

THE INTERNATIONAL LABOUR OFFICE invites applications for a post of Member of Division in the Labour-Management Relations Division in Geneva. Qualifications required: Nationality: United Kingdom; Age: 23-40; Languages: English, good knowledge of French or Spanish; Education: University degree or equivalent in experience.—For further particulars and application form, apply, enclosing stamped addressed foolscap envelope, to the International Labour Office, 38/39 Parliament Street, London, S.W.1. The closing date for the receipt in this office of completed application forms is July 14, 1956.

TWO GRADUATES IN ECONOMICS, with "first" or good "second" Honours degrees, required for research work in Department of Economics, International Wool Secretariat. One should have specialised in Statistics and will take part in econometric research. Starting salary, £500-£600, according to qualifications with superannuation benefits. The other should have specialised in economic analysis and should, preferably, have had several years' research experience. Starting salary, £750-£850, etc.—Apply in writing, giving full details of qualifications and experience, to the Secretary, International Wool Secretariat, Dorland House, 18-20 Kent Street, London, S.W.1, marking cover "E.C. Confidential".

IBM UNITED KINGDOM LIMITED requires a young Market Research Executive who will be responsible for market analysis and research in the Business Machine Industry. Experience of market assessments and analysis is necessary, together with a knowledge of available data and the ability to interpret and apply this to the Company's equipment and area development.—Full details, please, to Personnel Manager, 100 Wigmore Street, London, W.1, quoting Reference M.R.2.

NATIONAL COAL BOARD invite applications for a superannuable appointment as Head of Research, Economic Intelligence and International Affairs Section, of their Industrial Relations Dept. at London Headquarters, to be responsible for research on human relations problems in the industry, including experience on social or economic problems and, preferably, of the organisation and administration of research programmes required. Knowledge of coalmining industry an advantage. Salary, according to qualifications and experience, within inclusive range, £1,454 to £1,820 male.

Write, with full particulars of age, education, qualifications and experience, to: National Coal Board, Staff Director, Hobsart House, London, S.W.1, marking envelope SS/328, before July 26, 1956.

A MANAGING DIRECTOR

some months before negotiating new service agreement is taking the passing opportunity to consider a change. An experienced, middle-aged, responsible, and reasonable position, based in U.K., for family reasons. Qualified economics, commercial law, accountancy.—Box 453.

EXPORT MARKET RESEARCH

Export Executive of many years' experience; fluent French and German; Russian; wide knowledge of Europe; seeks post connected with Market Research on the Continent or with international organisation.—Box 452.

THE UNIVERSITY OF BIRMINGHAM

FACULTY OF SCIENCE

The University is making special arrangements to provide training for boys and girls who will be qualified for admission to an Arts course to enable them to take an Honours degree in either Pure or Applied Science after four years of study. The course commences in October, 1956, and is intended to help towards meeting the national need for more scientists and technologists. Applications should be made as soon as possible to the Registrar, The University, Edgbaston, Birmingham 15, from whom further particulars can be obtained.

June, 1956. REGISTRAR.

SUBSTANTIAL investment (up to £200,000) in a well-established and expanding business is sought by an institutional client who can provide top level management if required.—Send particulars to Spicer and Pegler, Chartered Accountants, 19 Fenchurch Street, E.C.3.

FOR SALE—The Economist July 1940/June 1950. War years bound.—Any offers?—Box 450.

EXPERT POSTAL TUITION for Examinations—University, Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus and/or advice, mentioning examination or subjects in which interested, to the Secretary (C972).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4.

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THE RECENTLY ANNOUNCED agreement between Mitchell Engineering Ltd. of London and AMF Atomics Inc. of New York, will undoubtedly have far-reaching effect in applying atomic power for the benefit of mankind.

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Business Hero

FOR some years now publicists for American business have voiced concern that the American novel paints so uniformly unfavourable a picture of the American business leader. From Dreiser and Upton Sinclair to John Steinbeck and Taylor Caldwell the rogues' gallery lengthens depressingly. Even when the brushwork does not delineate the complete scoundrel, devoid of morals or public spirit, the canvas still tends to be unflattering—philistine "regular guys" like Babbit, disintegrating drunks like Dos Passos's Charlie Anderson, slimy two-timing Uriah Heeps like J. P. Marquand's Willis Wayde. The demand for something more in keeping with the boardroom's own idea of what it sees in the mirror when shaving every morning has—primed by the interest of magazines like *Life*—called forth more admirable commercial characters like Cash McCall, the best-selling made-to-measure figure of business chivalry by Cameron Hawley. But output, in terms of literary units, is not satisfactory. Business heroes in shiny magazine stories may be models for the rising executive; but, as *Fortune* showed, it is the stuff arbitrarily labelled as literature by college professors that gets into the hands of the innocent and hero-worshipping young and warps their idea of the captains of industry.

It might be supposed that, if this is the position in America's literature, it would be a good deal worse in Britain's. For Britain is the home of the industrial revolution, where Marx sowed and the Hammonds reaped. Dickens certainly made an ominous beginning with Gradgrind and Josiah Bounderby. But these reprobates were reformable, as was the merchant-banker Dombey, whose obsession with the problem of management succession led to such regrettable results. On the other hand the Cheerful Bros. mellow the picture of office life early in the gaslight era. But Dickens's lead was negligently followed up. At a time when the British business man was conquering the world, Victorian novelists saw little of interest in him. "John Halifax, Gentleman" (the title is significant) is a full-length study; but one has to search Meredith, George Eliot, or even Disraeli to find a substantial business man. Here and there in Thackeray or Trollope a business man—usually a merchant—is seen struggling to rise in genteel society. Aristocrats and farmers; the learned

professions and the artists; soldiers, seamen, politicians, schoolmasters—all appear in the gallery of Victorian portraiture, their background often rendered with a fine knowledge of the technicalities involved. But the factory, even the bank or export house, hardly appear at all.

Nor did the novelist respond quickly when King Edward brought the first rank of South African millionaires to Court. But in so far as the theme was attempted, the results were not very flattering to the business man. The novelist tended to take Horatio Bottomley as his model rather than Alfred Mond. The immortal Uncle Ponderevo messed up a perfectly sound business and landed himself in court by ignorance of accountancy ("It's cruel, they asked me questions. They kep' asking me questions, George"), though his place was later taken by the more solid figure of William Clissold. Arnold Bennett produced "The Card"—again rather a financial than manufacturing type. Later, in spite of (or because of) his sound business instincts, Bennett went in for hotels rather than basic industry. It was left for Shaw to score easy Shavian points with Undershaft, the arms man.

The interwar years raised a small crop of novels about business. It may be significant that so many were about textiles (or coal). The rise and decline of the textile industry was a ready-made frame for a family novel on the clogs-to-clogs in three (or six) generations style. The north and its slump also provided a convenient region in which to group characters interacting from several walks of life by the new sociological school of novelists. These schools found exponents in Phyllis Bentley, Thomas Armstrong, A. J. Cronin and Howard Spring. Into the rise and decline of the textile trade could be woven not only the fortunes of a family but also the transmutation of the small master into the industrial magnate; and the slump of the thirties could be at once the nemesis of personal greed and pride, and of industrialism itself. Most important of all it permitted the writer to fuse business life with the English novelist's traditional concern—class and caste.

This is perhaps the key to the novelists' treatment of the British business man so far. In Victorian times he was still at the tradesman's entrance, as unimportant an "extra" as the servants who fetched and carried for the main characters. At most he provided a pretty daughter to tempt a baronet.



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from the path of duty. The turning point was reached when belatedly the novelist realised that the business man was not only rising into society, but the new industrial order was displacing the old country house rule with which he was for so long familiar. The clash between the new and the old managerial classes produced the situation in Galsworthy's play *The Skin Game*; and the theme has been much elaborated since.

Yet the business man remained for the novelist a far more inscrutable figure than the squire and the Duke of Omnium. He left the country house reluctantly and has revisited Brideshead whenever possible. Because business was the motive power of American culture the American novelist, whatever his purpose—romantic, satirical, reformist—had to get under the skin of the senior executive if he was to portray the contemporary scene accurately. The English novelist tried to treat the British business man simply as a special case of the ruling class whose foibles he and his readers knew and loved so well.

Literary traditions die hard. Though the scene is changing fast, the English novelist continues, in the main, to reenact Vanity Fair in modern dress—to squeeze the last drops of literary juice from artistic and literary life. His knowledge of business is still scanty and he prefers the more flamboyant business figures—the advertising tycoon, the film magnate, the press baron. So far, his main interest in business life has been in the struggle for power at boardroom level. This was the main theme of J. B. Priestley's "Daylight on Saturday," and

Nigel Balchin's "Sundry Creditors"; both these novels suggest that a factory is a manageably small frame for getting characters together, as was country house or village life.

The struggle for power is perhaps the obvious approach to the joint stock institution from the novelist's point of view. The business man may not be quite happy about it, though he should be thankful that the predatory swoop of the shady financier in Mr Priestley's "Angel Pavement," for example, gave place in "Daylight on Saturday" to a fight at least on issues of principle. The trouble seems to be that the incidents of British business leadership today—the installation of a new assembly-bay, the opening of the sportsground, the brainwork that went into marketing potato peelers in Ruritania—have not caught the storyteller's imagination. Nor does he feel that steady promotion from the trainee scheme to the head of the Miscellaneous Products Marketing Division (an important and well paid post) offer such promising material as the rise of Tono-Bungay. In industrial relations there has been little advance on Galsworthy's *Strife*. The nationalisation of steel has not started a postwar trilogy of business life.

In contrast to the American business man, in fact, the British executive is not so much caricatured as ignored. This may not worry him. Indeed, he may not even agree that it is so. Has he not, in such time as he can give to reading mere fiction, often met the likeness of his fellow directors foully done to death on the library floor in chapter one?

Larger than Life

VICTOR HUGO.

By André Maurois. Translated by Gerard Hopkins. Cape. 540 pages. 30s.

MAUROIS describes this as the largest in scale and the most difficult of his many biographies. Everything about Victor Hugo is rather larger than life: his talents, his energy, his loves and even the documentation which he left behind him. The biographer's problem is one of selection: all that he describes can be illustrated at length from Hugo's own letters, from those of his wife, his family and his mistresses, and above all from his poems. It scarcely needs saying that M. Maurois has met the challenge superbly; the story is enthralling, and all the characters who clustered round the poet emerge as clear and developing personalities.

Lytton Strachey said that Hugo "had the powers of a great genius and the soul of an ordinary man." This is a biography, not a work of criticism, and is therefore more concerned with his soul than with his powers. Strachey's judgment is shown to be too harsh, and yet there is truth in it. M. Maurois says, more justly: "He had, more completely than anyone else, voiced what all had felt." He was a middle-class Frenchman drawn on a heroic scale. His virtues and vices were those of his contem-

poraries, but clearer and more forceful. His ideas were unoriginal, but he expressed them with force and nobility. This is illustrated by his political career. It is a tribute to the man and the epoch that he should have been a legislator, by sheer force of personality and poetry, under the liberal monarchy and the third republic. As a practical politician he did not count; but he spoke nobly and consistently, both in France and in exile, for the great moral ideas in which he believed with passion.

This book, for the English reader, has one fault. Sex and poetry were the two driving forces in Hugo's life, and sex is the main theme of the biography. His writings are not ignored and his poems are quoted (sometimes, alas, incorrectly); but, as his greatness rests in his work, and as he is one of the least accessible of poets to contemporary English taste, one would have liked to have much more about it. If one turns to the French text, there is what one wants: there is more about Hugo as a writer, and many more poems are quoted. True to the curious convention that allows translations to be silently abbreviated, the English text has been skilfully but ruthlessly cut, in all that concerns Hugo's writings. The result is a partial picture, but a magnificent one; and it will suffice for those who are more interested in the man than in the poet.

Churchill's England

A HISTORY OF THE ENGLISH-SPEAKING PEOPLES: Volume I, *The Birth of Britain*.

By Winston S. Churchill. Cassell. 437 pages. 30s.

THE reader approaches this book with a sense of awe and a certain apprehension: with awe at the indomitable energy of mind which could contemplate and carry through such a task in the midst of a sea of secular cares; with apprehension, lest the success of the enterprise should not come up to the fame of the author and the expectations which this necessarily arouses. It is after all a far cry from the fields in which he will be for ever famous to the intricacies of Anglo-Norman and Anglo-Saxon land tenures and institutions. Yet how can an enterprise such as this succeed without immersion in the great and growing technical literature of the last eighty years? The first volume of Stubbs's "Constitutional History" appeared in the year in which Sir Winston Churchill was born, and it has proved a fountain-head of new researches ever since; but presumably Sir Winston has had other things to do than to keep pace with them. Moreover, as an understanding of mediaeval history has become more refined and complicated, it has perhaps become less and less of a national heritage and increasingly the preserve of experts and antiquarians. The old stories sound now a little hollow; yet there is nothing of equal human interest to take their place. One is therefore a little apprehensive about the result of this labour.

Needlessly, however. It does not take very long to discover that the qualities which this book exhibits are very little affected by modern research. Like a prudent campaigner the author has chosen his ground where he is strongest. Though he does not decline all battle over the Constitutions of Clarendon and the Jury of Presentment, yet he is not here at his happiest; and he bases his main attack on a foundation that has been little altered by the researches of recent scholars—namely, an understanding of human nature. He sets before himself the men and their situation; he makes himself sufficiently familiar with their story, passes it through the capacious chambers of his mind, and then writes. The result is masterly. The story never flags. It retains and increases its vigour and significance as it goes on; and it is illuminated by those Churchillian touches which everyone looks forward to with pleasure and digests with satisfaction. On all kinds of subjects and persons there are memorable phrases in plenty. These are not the core of the book, but they add a piquancy to the narrative which it would be affectation to overlook. What, for instance, could be better than this simple explanation of the family loyalties so prominent in early politics:

The family tie, though frequently failing, gave at least the assurance of a certain identity of interest. Statistics

had not been collected, but there was a general impression in these primitive times that a man could trust his brother, or his wife's brother, or his son, better than a stranger.

But the real power of the book lies elsewhere. Partly it lies in a quality which Sir Winston Churchill with great insight and perhaps a certain fellow-feeling attributes to Hubert de Burgh:

Here is a soldier and politician, armed with the practical wisdom which familiarity with courts and camps, with high authorities, ecclesiastical and armoured, may infuse into a man's conduct and even nature.

Everywhere in this book we are in the presence of one experienced in camps and courts, interpreting to us the minds of men for whom the life of camps and courts was their daily experience. It is for this reason that there is probably no better portrait-gallery of mediaeval kings than is to be found in this volume. Henry II, the "hard, violent, brilliant, and lonely man" whose "passion and policy flowed so buoyantly together" is particularly well-drawn; and it is only to be expected that Alfred with his "lively comprehension of the great world" and his will to resist, which saved England nearly a thousand years before Hitler was heard of, should have due justice done to him. But the most remarkable historical achievement which comes from an understanding of courts and camps is in the pages dealing with the Wars of the Roses. After remarking "that it has been in fashion to disparage this period," Sir Winston Churchill proceeds to "set forth the facts as they occurred." The story is brilliantly told; it is even made to seem significant. The wretched battles are accorded the dignity due to actions in which many men were staking and losing their lives, and the sordid tale of bloodshed and treachery is relieved by pity for a generation going so helplessly to its doom.

The first necessity for great history writing is eloquence, and of this quality there is an abundance in this book. The next requirement is experience of men, and of this too there is no lack. The third quality which this book displays in an outstanding degree is compassion for the sufferings, ambitions and delusions of both the oppressed and the oppressors. This compassion embraces Henry V and Boadicea, as well as the victims of persecution and of baronial oppression. It gives a unity to the book more profound than that of the statesman or the orator.

Whether or not this is a great book time alone can show, but that it is the work of a great man is stamped on every page. No one will go to it for the finer points of historical scholarship, and scholars will not be slow to detect minor errors and misconceptions, especially in some of the earlier sections. But these do not seriously detract from the merits of the book, which for its qualities of judgment, vigour and humanity and for its poetic vision of great events deserves a long life.

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JOHN MURRAY

Pathetic Enigma

ROGER CASEMENT: a New Judgment.
By René MacColl.
Hamish Hamilton. 328 pages. 21s.

IN the first sentence of his foreword Mr MacColl states his belief that Casement was one of the most extraordinary men of the present century, and we may well agree. As a member of the Consular Service he achieved sensational exposures of tropical iniquities in two continents. Then he reappears on the public scene, for no easily discoverable reason, in the role of British traitor and Irish martyr. Mr MacColl thinks that he would never have taken up Irish "treason" if he had not felt himself snubbed by the mandarins of the Foreign Office, but he was a man whom one was obliged to snub, an incorrigible and cantankerous bore. Being devoid of what are called hobbies he spewed forth his soul on paper in correspondence of incredible volume, official and unofficial. The more Mr MacColl quotes of it the more one dislikes the man, and one is gratified to find that the biographer agrees about its singular unattractiveness. Yet Casement had devoted friends, including men and women of distinction, who have testified to his personal charm.

And then there is the matter of the "Black Diaries," interest in which has been revived by the publication of Sir William James's life of Sir Reginald

Hall, who made use of these captured diaries to damp down the movement for Casement's reprieve. Mr MacColl has no doubt whatever that Casement was an actively practising homosexual and that the diaries were his own record and not, as has been fantastically suggested, a copy (or translation?), in Casement's handwriting, of the diary of a scoundrel he encountered in one of his tropical campaigns. And here is surely the greatest oddity of all. That the man should have been a homosexual is no great wonder, but that he should set down his experience in records hundreds of pages long, and leave them lying about in suitcases. . . . The explanation seems to be that he was proud of himself and regarded homosexuality as the mark of a superior being.

The British are traditionally generous in retrospect to their enemies. Saint Joan and George Washington are among the few unsullied heroes of our history. Gandhi is regarded with more reverence than the Viceroy who imprisoned him. But Casement can never be more than a pathetic enigma.

Mr MacColl's book is an admirable piece of work, and an immense amount of disinterested research has gone into it. He occasionally goes wrong on matters lying on the fringe of his subject. He might, for example, correct a mistake about Sheehy Skeffington; and some others too.

In Search of Charity

UNPROFESSIONAL ESSAYS.

By J. Middleton Murry.

Cape. 191 pages. 15s.

MR MURRY'S mature demands from literature would appear to be lucidity and charity; the best of his recent books is on Swift, a supreme master of the first and a desperate seeker after the second. In much contemporary writing, whether creative or critical, neither quality is prominent. Mr T. S. Eliot, for instance, is a very difficult poet; and Mr Murry has not found the books that expound his work at all helpful. If, however, one begins with the plays, which are simpler in diction than the poems, one has a better chance of penetrating to the underlying ideas.

Making this approach, Mr Murry finds, in the first place, a nausea of physical sex; and in the second, as a sort of philosophical generalisation from this, a conviction that all love between mortals is doomed to disillusion and decay, "degenerating into a resigned acknowledgment of mutual misunderstanding and impenetrability." Mr Murry, who believes that human love is in origin a vision of the eternal in the perishable, and that the vision can be kept and deepened, concludes of Mr Eliot that "the superhuman difficulty of so much of his writing is causally connected with his almost inhuman detachment from the most exalted experience that falls to the lot of the common man." But this searching diagnosis is not intended as dismissive of Mr Eliot's poetry,

which Mr Murry finds as beautiful as it is almost intolerably sad.

It is a far cry from "The Waste Land" to "Tom Jones." But in defending Fielding against the "chilly depreciation" of Dr Leavis, Mr Murry is pursuing basically the same theme. The notion that Fielding is devoid of that intense moral preoccupation which is the essential endowment of novelists in the great tradition does not stand up to investigation. It is born of the same distrust of natural goodness as Mr Eliot's and fed by simple semantic misunderstanding—as, for example, of what the term "good nature" implied for the novelist. One has only to read "An Apology for the Clergy" to realise from what a deep well of moral conviction Fielding drew for the sustenance of his fiction.

He believed that Christian love and human friendship and the love between man and woman were intimately allied by the tenderness they had in common; he believed, too, that this tenderness could impart a grace even to a casual sexual relation; he believed that there was a generosity of the body.

After this, it is scarcely surprising that Mr Murry goes on to expound Walt Whitman's belief that "the immediate apprehension of an infinite significance in all existences was within the natural capacity of the common man." Finally there is an essay on the poetry of Clare, dealing both with its mystical element and with its "precious and unique" picture of the effects of enclosure on the English rural community.

All for Love

ENCHANTING BELLAMY.

By Cyril Hughes Hartmann.

Heinemann. 350 pages. 25s.

BIOGRAPHIES of minor historical characters are rarely of such absorbing interest as this story of an actress of the mid-eighteenth century. It is a delight for several reasons.

First, it is very well written, and secondly it gives such a vivid picture of the times. Its account of standards of behaviour among the quality is somewhat hair-raising. Georgiane Bellamy was the natural daughter of Lord Tyravley, a middle-aged soldier, and of a Miss Seal, who ran away from school to live with him at the age of fourteen. He had no doubt promised to marry her, but a few years later, in order to improve his finances, he was secretly courting the daughter of Lord Mountjoy. Rumours about Miss Seal had reached Mountjoy, and he wrote to her asking whether they were true. Furious, she replied by sending him a packet of her lover's letters, including an unopened one which had come that morning, in which Tyravley gave the first news of his projected marriage. In it he explained that his prospective bride was so plain that there was no danger of his falling in love with her, and that he would return to Miss Seal as soon as he had secured her fortune. Lord Mountjoy tried to stop the marriage, but it had already secretly taken place. All he could do then was to disinherit his daughter; whereat Tyravley, not wanting the plain wife without the money, immediately left her. Students of Foreign Office methods of promotion in the Burgess and Maclean affair will note that these and other notorious episodes did not stop Lord Tyravley from filling some important posts as ambassador.

Miss Seal soon decided that she had better accept an offer of marriage from a Captain Bellamy. Much too soon after the wedding she gave birth—"to his inexpressible astonishment and dissatisfaction"—to a daughter, and he in his turn promptly left his wife, never to return. The daughter who arrived thus untimely was not much luckier than her mother in her relations with men. Her education was well provided for by Tyravley, who made a point of recognising all his numerous illegitimate children and of assembling them under one roof in the intervals of his service abroad. Georgiane, however (or George Ann as she had in error been christened), offended him by following her mother on to the stage. She was not a great actress, but she was beautiful, charming and confident. She had no lack of admirers, but it seemed to be always her fate to be tricked into liaisons on false promises of marriage. She had three principal lovers, one she loved, one she hated and one she was fond of. She lived several years with each, quite openly doing the honours at their tables, but always longing for them to marry her—even the one she hated.

The book gives, too, an excellent picture of the London theatre. There were

only two playhouses of note, Drury Lane and Covent Garden, and there was fierce rivalry between them. Like the present time, these were days of fine acting—the days of David Garrick, Peg Woffington, Kitty Clive, James Quin, Thomas Sheridan—and of a meagre supply of plays. The repertoire consisted of such works as Otway's *Venice Preserved*, Dryden's *All for Love*, Steele's *Conscious Lovers*, Rowe's *Jane Shore*, and the plays of Shakespeare "improved" by Otway or Colly Cibber. These were days when stage jealousy could lead Peg Woffington to act a stabbing scene so realistically that Bellamy fled from the stage. But they were days, too, when stage comradeship was so great that time after time Georgiane's former colleagues found money to rescue her from the squalor and the sponging houses to which her extravagance and the early decline of her talents had reduced her.

Palace of Pleasure

VERSAILLES.

By Ian Dunlop.

Batsford. 240 pages. 30s.

MANY visitors to Versailles today must be disappointed with their first sight of that rather sombre pile of buildings in a quiet suburb of Paris. From the front, only the gateway seems to offer a glimpse of that magnificence which made this royal court the most famous in Europe. In this book Mr Dunlop has tried to recapture the spirit of the days when Versailles was the heart of France. Yet inevitably a feeling of sadness filters through the pages and the pomp and elegance of the past is somewhat dimmed by the lifeless backcloth of today.

This is not a guide book to the palace. Mr Dunlop has chosen to describe it by making a study of the life of the French courts in the seventeenth and eighteenth centuries. It is an account of extravagance and splendour, of an insatiable zeal for rebuilding and refurnishing, of constant alterations and additions, of changes to satisfy every new whim and taste of king and mistresses and courtiers. Some of the most interesting descriptions are of the obstacles that had to be overcome in construction at that time, not least of which were the problems of obtaining workpeople when there was no money to pay them and of getting a supply of water to the beautiful gardens of the palace. Nothing was allowed to stand in the way of change.

Was it all designed to serve only for the distraction of boredom? More often than not—this is the impression left with the English reader of French history of that time. But Mr Dunlop has managed to convey, not without casting his net rather wider than might be expected in a study of Versailles, the French capacity for enjoying the pleasures of life. Boredom did not often seem to get the upper hand in those days. Not all of it was in the best of taste by today's standards, and it is easy to be shocked by its pointlessness; yet how many exquisite things were made in that age.

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By Lawrence Stone.

Oxford University Press. 364 pages. 45s.

THE Genoese Christopher Columbus has been called the last of the great medieval Italian entrepreneurs, who for five centuries had developed and dominated the capitalist enterprises of Western Europe and the Mediterranean. But even in the sixteenth century the inherited capital and skills of the Italian financial houses enabled them to play an important, though no longer a dominant, part in the west. Horatio Palavicino was a member of the merchant aristocracy of Genoa and of a family which from 1566 to 1578 farmed the great papal monopoly of alum. As head of the Antwerp branch of the firm, Horatio in 1578 advanced a large loan to the Dutch rebels, which was underwritten by Elizabeth. Thus drawn into the English orbit, Palavicino spent his remaining years as a financial and diplomatic agent of the government, the friend of Burghley, the creditor of Leicester and the correspondent of Walsingham. He was knighted by Elizabeth in 1587 and died at Babraham in 1600, an unusual but established member of the Cambridgeshire squirearchy.

Mr Stone does not claim that Palavicino was more than an agent of secondary importance. But the variety of services which he performed for the government, and the diversity of his own speculations, investments and law suits, have enabled Mr Stone to make Palavicino's career the thread connecting a series of skilfully constructed studies of finance, diplomacy and social change in the Elizabethan period. Mr Stone's object is "to construct a picture from which to judge the moral and intellectual atmosphere and political interests that dominate a given society." War finance, espionage, litigation and speculation are seldom very edifying and Mr Stone is perhaps too concerned with emphasising his hostile judgments on the age. "Your honour," Palavicino wrote to the Earl of Shrewsbury, "may not compt it ill if in the point of profit a man honestly every waies regard his own commoditie." But Mr Stone does count it ill, writing of "more effective methods of robbery than the truncheon and the footpad." Sometimes he over-dramatises Palavicino's activities. Palavicino twice bid for the cargoes of captured carracks containing large quantities of pepper, but it is hard to see these as "serious attempts to monopolise world pepper." Sometimes the biographical thread is too thin to take the strain of Mr Stone's learning, particularly in the long chapter based on Palavicino's two missions to Germany.

But despite the disappearance of Palavicino's papers and ledgers, Mr Stone has been remarkably successful in reconstructing his career in England and in using it to illuminate aspects of Elizabethan society and government. He writes with a vigour and trenchancy that effectively convey his sharp awareness of the issues of the period.

Literary Letters

ELIZABETH BARRETT TO MR BOYD.

Edited by Barbara P. McCarthy.

Murray. 338 pages. 35s.

WHEN Elizabeth Barrett was twenty-one she came into contact with H. S. Boyd, a middle-aged man who lived in the country not far from the Barretts. Their point of contact was enthusiasm for Greek literature, and he supplied her with a stimulus and encouragement which she badly needed. She was delicate and kept almost in purdah by her father; he was blind: so they seldom met, but corresponded constantly. For five years she wrote to him as a devoted pupil. Then followed a period during which they were able to see each other regularly, and after that the tone of the correspondence alters. She was rapidly maturing, and the time which they spent together changed her attitude. She learned his limitations (which were many) and dropped her rather schoolgirlish and emotional admiration for him, though her affection and gratitude never lessened. Thenceforward her letters to him were more adult and far more worth reading today. They continued regularly till she married; after that there were only a few more before he died, two years later.

This edition of Elizabeth Barrett's letters is scholarly, well introduced and attractively produced; but one cannot help feeling that the editor has fallen between two stools. She aims to serve both the student and the general reader. The former should be content, but the latter has some cause for complaint. Miss McCarthy has explicitly rejected the idea of a selection, which would have suited him best. With a few unimportant excisions, she prints all the letters whose whole text has not hitherto been published, but omits the others. This means that two-thirds of the book is occupied by the earlier period; and, although they often give evidence of Elizabeth Barrett's taste and charm, these letters are little more than raw material for the student. Why reproduce all the outpourings of her immaturity? Pedantry and sensiblerie are the notes as she and Boyd plough through the early fathers together and chronicle small beer fermenting in a hothouse. In the later period, almost everything she writes is charming and interesting; but the cream was skimmed sixty years ago by Kenyon in his judicious selection of her letters, and Miss McCarthy omits all that he published in full.

Nothing that throws light on Elizabeth Barrett's development is without value, but it is doubtful whether these letters deserve publication in full. As Wellesley College, which owns the letters, houses the editor and financed the publication, has decided in its favour, the ordinary reader who is content to skip can get much scattered pleasure from the book, and many fresh examples of Elizabeth Barrett's goodness, sense and learning.

Livingstone and Stanley

I PRESUME.

By Ian Anstruther.

Bles. 220 pages. 18s.

THE ZAMBESI EXPEDITION OF DAVID LIVINGSTONE, 1858-1863: Volume I, Journals and Volume II, Journals, Letters and Dispatches.

Edited by J. P. R. Wallis.

Chato and Windus. 517 pages. 84s.

WHAT Nelson is to the British Navy so is Livingstone to the generations of Britons who have given their lives and their hearts to Africa. Difficult, unsympathetic, lacking in the arts of "man-management" so essential to the leader of an exploratory expedition, he yet remains the archetypal hero-figure. To the native African, whom he understood as he never understood the men of his own race, he seemed little short of a demi-god. In September, 1858, he returned to the little band of Makololo porters who had been waiting for him at Tete through two weary years shadowed by sickness and sudden death. "Now our hearts will sleep," the survivors cried out to him in greeting, "we have seen you."

"The very name of Livingstone has a charm in it for me," wrote Henry Morton Stanley, whose life-story is a curious illustration of the strength of the Livingstone legend. Stanley's achievements as an African explorer were second only to Livingstone's own; he was to open up the whole vast Congo region and to present Belgium with a brand new colonial empire, yet today he is remembered simply because he once pronounced the immortal words, "Doctor Livingstone, I presume?" Stanley came to wish most heartily that he had never uttered this masterpiece of understatement. The phrase dogged him to the end of his life, but nevertheless Mr Anstruther is wrong in describing its utterance as "a personal tragedy." The workhouse waif, whose real name was not Henry Morton Stanley but John Rowlandson, was born with a thirst for fame, and fame was to be his in good measure because of those four words.

The story of Stanley's life is a fascinating one and "I Presume" is a fascinating book—as far as it goes. There is little to be said for the modern fashion of writing sectional biographies rather than a full-scale life. Nobody's life can be neatly divided into watertight compartments, least of all Stanley's. His moment of high dramatic contact with Livingstone influenced the whole of the rest of his career. Why then must we stop short with no mention of the Congo Free State or of Enim Pasha?

"I Presume," although a thoroughly workmanlike and well-documented book, is primarily intended for the entertainment of the general reader. The Oppenheimer series, on the other hand, is performing an invaluable service to the serious historian by making available the material to be found in the Central African Archives. "The Zambesi Expedition," which forms number nine of this series, consists of journals,

letters and dispatches relating to Livingstone's ill-fated expedition of 1858-1863. The format of these two volumes is a joy to the eye, particularly the illustrations which are reproduced from the water-colours of Thomas Barnes, who accompanied the expedition as its official artist. The book was planned to commemorate the centenary of Livingstone's discovery of the Victoria Falls, and both editor and publishers are to be congratulated on this worthy memorial of a great achievement.

Printer's Pride

PRINTER AND PLAYGROUND: an autobiography.

By Oliver Simon.

Faber. 171 pages. 27s. 6d.

THE revival of the printer's and the typographer's arts from the middle of the nineteenth century onwards is a story with many fascinating chapters; and the late Mr Oliver Simon's contribution is not the least interesting of them. In this short autobiography, published just before his death, his long love affair with printing—which by no means precluded a happy marriage—is charmingly set forth. In the early twenties the printing muse proved a difficult mistress to win, especially to those with no connection with the trade and a capital hardly exceeding £100; but Mr Simon's mind was made up from the day he wandered by chance into Sotherans' bookshop, an ex-officer from General Allenby's army vaguely contemplating a business career. In the end he had his way, and through his work for the Curwen Press made his distinguished offering to typography and illustration.

Mr Simon was the moving spirit in the publication of *The Fleuron* in the interwar years and later editor of *Signature*, which did so much to put Britain in the *avant garde* of typographical design. Fine printing has, in this respect, proved to be to commercial printing what the live theatre has been to the films: the basic source of talent and ideas. The Monotype Corporation produced versions of the many beautiful types which the "fine printer" first introduced, or reintroduced, in books printed in limited editions.

No book on printing would be acceptable without specimen pages, and "Printer and Playground" is satisfyingly documented with examples of Mr Simon's work, which was always particularly original in its use of illustration and typographical ornament. This is what one would expect from the originator of the Curwen Press type specimen book. The union of printing with the other civilised arts is fittingly symbolised in the reproduction of the menus of dinners over which printers and artists discussed their obsession with design in the twenty years when Europe could still be a playground, and Bloomsbury was still the new Athens, the leading city-state in a world made safe for aesthetic adventure.

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Noblesse Oblige

Edited by NANCY MITFORD with contributions by EVELYN WAUGH, ALAN S. C. ROSS, 'SIRIX', CHRISTOPHER SYKES and JOHN BEJEMAN, who consider the subtleties of U-usage and examine the identifiable characteristics of the English aristocracy. Embellished by OSBERT LANCASTER 10s. 6d.

HAMISH HAMILTON

Woods and Burns

THE RUSSET COAT.
By Christina Keith.
Robert Hale. 235 pages. 21s.

THIS study of Burns's poetry and of its background is not designed for the Burns clubs, for Miss Keith writes from as lively a sense of the poet's limitations as of his genius. Burns is blind to far too much in the Scottish character—its ambition, its love of scholarship, its love of roaming—to be easily reckoned a fully national poet. His range is narrow. "For him Scotland was always the beggars, the toppers, the church goers of the Lowlands and the girls you met with them, the woods and burns they walked beside." Neither Highland Ben nor Border Peel had any meaning for him; and it was left for Scott to show the effect upon Scottish life and character as a whole of all the poetry they stood for.

But if Burns is a child of the Lowlands which he loved, he is equally a child of the Calvinist tradition which he hated. Miss Keith, whose feelings are Highland, aristocratic and (broadly speaking) Catholic through and through, writes with remarkable force and conviction of the long horror of Scotland's domination by the Kirk. Knox's Reformation—grisly, sour and sulky—tortured and burned thousands of supposed witches; worse, it so degraded and brutalised the position of women that romantic love and its expression became

impossible. In the society amid which Burns grew up only a brutal sexuality was operative between the sexes; and as a consequence Burns never was in love—which is a handicap in a love-poet.

If you can only regard a woman from the physical standpoint—which thanks to Calvinism, was the only way Burns ever knew—you are not going to be able to write love-songs to her, however great an artist you are, that will compare with the best work of those who regard her as their equal and who see in her much more than an animal.

We may feel that all this is a little one-sided. A strong sense of the sinfulness of sex will always conduce to carnality; the mediaeval church subscribed to it; and it bedevilled the love-poetry of the Catholic-born Donne as much as it ever bedevilled the love-poetry of Burns.

In what then, according to Miss Keith, was Burns fortunate? He had the luck to be born in the eighteenth century, when the horrors were only a sadly crippling memory. More important, he had the luck to visit the Highlands. This was the turning-point in his life. He made little of the glens and mountains—but he heard the music, he heard Neil Gow fiddling. The Highland tunes knocked the "sense" out of him; and at the same time his Lowland head controlled the Highland rant. So something of a synthesis was achieved after all, and Burns made his incalculable gift to Scottish song.

Genes for the Million

GENETICS IN THE ATOMIC AGE.
By C. Auerbach.
Oliver and Boyd. 113 pages. 8s. 6d.

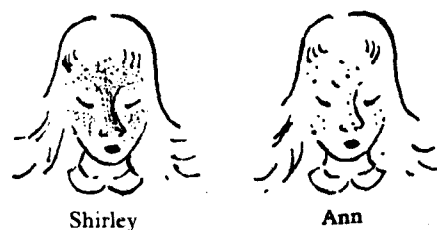
BETWEEN them, socialism and psychoanalysis have largely shaped the philosophy of the educated layman of this century, with the result that first place in the moulding of people's growth is given to emotional and material surroundings. Genetics has thus become an unfashionable subject, and the notion that all, with the exception of identical twins, are born unequal seems, or used to seem, both distasteful and somehow untrue.

Only since scientists began to warn the world of the peculiar dangers of atomic explosions have genes begun to attract interest once more; even so most people's knowledge of the subject has been too meagre for them to appreciate precisely what these dangers are.

Dr Auerbach has therefore started from the very beginning of her subject and in simple language, using as few technical terms as possible, she has covered the basic facts and concepts—chromosomes, dominant and recessive genes, cell division and mutation. In two final chapters she describes the effects of radiation and makes it plain that the formidable dangers do not include only such obvious ones as the wiping out or sterilisation of populations exposed to heavy doses. Even more important perhaps are the

more subtle effects of smaller doses, which lead to an increase in the pool of harmful recessive genes in the human race.

The author's text as it stands is easily intelligible, but the numerous and entertaining drawings (one of which is reproduced here), some in colour, help her argument. It is a pity that room could not be found for a simple exposition of some of the advances that the last few years have seen in genetic chemistry. For it is in this strange and complex



Shirley Ann

Heredity and Environment.

Identical twin sisters, with the same genes for freckling, but growing up under different conditions of life.

world inside the nucleus of the cell, with its nucleic acid spirals, its rich variety of enzyme systems, and its self-replicating chemicals, that life seems to emerge from the non-living and genetics become less abstract. Perhaps someone soon will try to write an easy book about it.

Whaling Life and Labour

OF WHALES AND MEN.

By R. B. Robertson.
Macmillan. 260 pages. 21s.

LIFE and labour in modern factory ship whaling have long deserved an honest book which, with sympathy but without embellishment, would examine the complex world of the withdrawn, ship-imprisoned communities of the south, where technological marvels combine with fishermen's luck, and rough action and bloody toil proceed beside the white flocs and the pure birds, and where the variety of men is endless. "Of Whales and Men" is not this book. The author, who sailed as doctor on a pelagic expedition in the antarctic season 1950-51, has been too much tempted by the great myth-making regions of the Southern Ocean, and he has written just another yarn about whaling, lively, melodramatic, and even sensational in its self-conscious "exposure" of South Georgia.

Starting modestly on the *Acushnet* in the preface, then boldly transferring—because of the company he keeps—to the *Pequod* in the first chapter, Dr Robertson sees himself as a latter-day Melville, and the reader will find some good characterisation. Dr Robertson's characters are but thinly disguised, and the best-drawn among them, the lovable and unique Mansell, will certainly be enjoyed by all who know, afloat and ashore, the southern whaling scene.

But they will be irritated by misleading factual inaccuracies, about whales, whaling history and whaling methods. Modern pelagic whaling, for instance, was made possible by Sørle's patent slipway and not, as Dr Robertson says, by the Gjelstad whale claw (wrongly attributed to Andersen in this book): the claw was first used by Andersen in the *Kosmos* in 1932-33, by which time pelagic whaling was in full swing. But the author's favourite method of conveying information is by the reported statement. There are some who, reading the conversation pieces which jeer at the Discovery Expedition (to whose devoted work we owe most of our knowledge of southern whales), will note with interest on the facing page a photograph of several very obvious fin whales described as blue whales. Reported conversations doubtless assist Dr Robertson to protest against criticism, but they can be as misleading as direct statements in a subject which continues to be served worse than most in contemporary popular writing.

Few who have worked in South Georgia, and who work there still, are likely to be impressed by Dr Robertson's verbose disgust with conditions there; nor would they, in their independence and hardihood, welcome his welfare officer. The common reader will certainly find in this book an impression of whaling, though lurid and exaggerated: he may also, on being told at great length that all whalemen are psychopaths, share this reviewer's conviction that Dr Robertson enjoys robust mental health.

One to Criticise

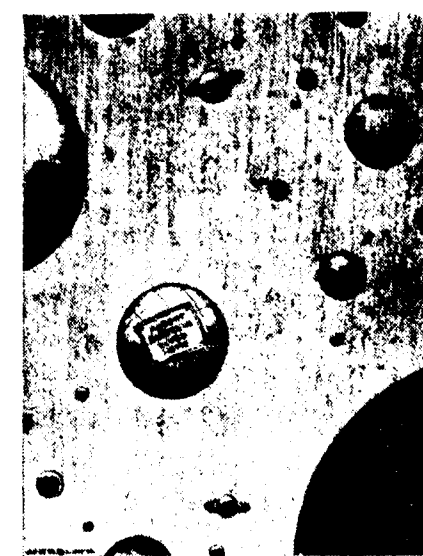
HERBLOCK'S HERE AND NOW.

By Herbert Block.
Simon and Schuster, New York. 280 pages. \$2.95.

"I'M not one to criticise, but..." is an indirect approach spurned by America's most influential political cartoonist. Herblock positively is "one to criticise," as has been obvious since 1946 to readers of the *Washington Post* and for the last few years to readers of 150 other newspapers, mainly American, but including *The Economist*. His statistically minded publishers are as proud of the "30,000 words of text" as they are of the "250 cartoons" in this, his second book, a distillation of his views on Washington under the Eisenhower Administration.

They are the views of an independent liberal who has been deeply troubled by the attacks on freedom, the confused

Albert Einstein Lived Here



Herblock in the Washington Post

allegations and unsubstantiated suspicions which permeated Washington during most of the three years, from 1953 to 1955, covered in this book. Herblock refuses to bow to the resentment of criticism, the suggestion that it is disloyal, that characterises so many members of the present Administration, nor was he ever afraid to hit out at Senator McCarthy. The improvement in the American atmosphere during the last twelve months proves that such criticism can be constructive.

Herblock's astringent comments on these subjects supply much of his material, but the book contains also examples of his sympathy for the underprivileged, especially the children in overcrowded schools, of his bitter warnings on the hydrogen bomb, of his doubts about Mr Dulles and of his reactions to developments in the Soviet Union. There, not surprisingly, he is less at home, for he has not the familiarity with his subject which is essential to good satire. Herblock's words, talks rather than essays, are nearly as graphic and as pointed as his drawings, but both require a close knowledge of the current Washington scene

to be comprehensible. "Why does he put in St. Paul's?" inquires the British reader about the Capitol dome that indicates Congress. Or "what is that elephant doing?" of the animal which symbolises the Republican party. But as often as maybe comes the brilliant cartoon, with general human significance, such as this, just a year ago, on the death of Einstein. These are indeed the "small pearls of wisdom" which Herblock hopes to produce.

Compressed Flowers

POCKET GUIDE TO WILD FLOWERS.
By David McClintock and R. S. R. Fitter.
Collins. 464 pages. 25s.

THIS book will be a great boon to all those, young and old, who have the itch to identify the plants they find growing wild in Britain but fight shy of the more scientific floras. The authors have aimed at including all the British native species, all the commoner aliens, and as many rare aliens as they could. By systematically reducing the textual information to a bare minimum they have been able to compress all this, covering some 1,800 species, into a volume of really pocketable size.

It is a remarkable feat. Their task would have been of quite another order, perhaps, had it not been for the publication in 1952 of Clapham, Tutin and Warburg's *Cambridge Flora*. By basing themselves on this and accompanying almost every entry with a reference to it, they have provided the user with an absolutely up to date and easy introduction to British botany. In their method of arrangement they have frankly accepted the fact that, however much they may be advised to the contrary, the unsophisticated among users of flower books normally turn to the pictures first, trying to pick their plant out by eye—unless they are already fairly sure of its genus. Of the 1,400 plants illustrated here, only those with coloured flowers are shown in colour, those with white or green flowers in black and white, and the ferns, grasses, sedges and so on in line drawings. In addition some rarer species, which look much the same as one of those illustrated, are described in the text without being illustrated. The coloured drawings are grouped, unbotanically, by colour and it is intended that the user, unless he already knows enough about his plant to use the index, should turn to the pictures first. A great deal of trouble has been taken over the illustrations, which are on the whole extremely good.

When neither pictures nor index will serve, the user is provided with a number of keys of varying generality, the value of which could only be tested by a beginner in the field. They seem sensible enough but may in some cases be too abbreviated. One departure from botanical practice which seems mistaken is the exclusive use of English names on the illustrations. These names are not only arbitrary but as often as not conceal generic relationships; many of them are less familiar to a nation of gardeners than the Latin.

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----- LONGMANS

From Wool to Corn

TUDOR AND STUART LINCOLN.
By J. W. F. HILL.
Cambridge University Press. 268 pages.
32s. 6d.

THE study of English history has been greatly enriched during the past two or three decades by the work which is being done on particular regions, families and towns; and Lincolnshire has been especially fortunate in its archivists and historians. In "Medieval Lincoln" Dr Hill traced the rise of the city from its Roman origins to the peak of its prosperity in the thirteenth century and the decline in the later Middle Ages when the cloth workers had left it and its wool trade dwindled. In this volume Dr Hill is dealing with a shrunken community attempting to preserve the privileges of a county borough with the resources of a small market town. Its sixteenth century population was less than half what it had been at the time of the Norman Conquest; its thirty-eight parishes were reduced to nine; and frequent but ineffectual attempts were made to reopen the Fossdyke, once a major channel of trade linking the city with the Trent. At the close of the seventeenth century corn was growing where formerly buildings stood. Lincoln had suffered more than most provincial towns from the economic dislocations of the later Middle Ages, and, though it shared in the slow recovery which began under Elizabeth, it suffered more sharply from its frontier position in the Civil War.

The history of Lincoln, struggling to defend its chartered rights and to reduce its expensive overheads, exhibits with peculiar clarity the ascendancy of the county magnates and gentry. Dr Hill is particularly effective in showing the influence of these families on the parliamentary representation of Lincoln and in emphasising the political weight of a closely-knit group of Puritan gentry in Lincolnshire in the decades before the Civil War. Puritanism and reform in Lincoln were fostered from outside. By the 1580s there was a vigorous party conflict between reformers and conservatives, the former urging the provision of a preacher, an efficient school, poor relief, Sabbath observance and control of alehouses, the latter, as Dr Hill puts it, preferring "to have Lincoln free than Lincoln sober and strictly regimented."

Dr Hill has used the very full sources with admirable care and scholarship, neither distorting nor dramatising his account by confining it to the impact of national issues and policies. Poor relief and fen drainage, the appointment of schoolmasters and preachers, gild restrictions and corn prices, the habits of the organist who sang during sermons and of the Lincoln ladies who usurped the bishop's throne—these, rather than the crises of the risings and civil wars, were the continuing substance of life in a provincial town. But Dr Hill's account would have gained if he had adopted a bolder arrangement, if he had assembled

his evidence on population, prices and parliamentary representation, and if, as Dr Hoskins was able to do in his study of sixteenth-century Leicester, he could have used the lists of admission to the freedom of the city to analyse the changing occupational structure of the city.

Gastronomic Journal

GOOD APPETITE MY COMPANION.
By Victor MacClure.
Odhams. 240 pages. 15s.

THIS book is described on the dust cover as "the journal of a self-confessed gourmet at large... a lifetime's history of gastronomic lore garnered from all over the world." It consists of reminiscences interspersed with recipes, and is illustrated with black and white drawings by the author (one of them is reproduced here). One cannot but admire such versatility, but it does not save this book from falling between two stools—three, perhaps, since the illustrations, although competent, do not add much to the total effect.

As a book of reminiscences and anecdotes it is only mildly entertaining, and much of it seems rather trivial. As a recipe book, on the other hand, although it is well indexed, its usefulness is limited. The publishers claim as one of its advantages that Mr MacClure can relish a dish of tripe as well as a *poularde de Bresse demi deuil*. But one demands of a recipe book either that it be simple and standard, or *recherché* and expensive, or that it be entirely comprehensive. A more satisfactory result might have been obtained by making this first and foremost a book of notable recipes, with as a secondary feature some comment about the origin of the dish, or where the author ate it, or different ways of preparing it.

Food is a fascinating subject, but a book so exclusively devoted to what one ate, where one ate, and what one said about it at the time inevitably gives the impression—which is no doubt quite false—that the author is a bore with a single topic. It is nice that Mr MacClure has had fifty glorious gastronomic years, but it is a pity that the pleasures of the table should be so difficult to impart in writing.

**Homeliness in Literature**

THE HERO IN ECLIPSE IN VICTORIAN FICTION.
By Mario Praz.
Oxford University Press. 478 pages. 45s.

PROFESSOR PRAZ has written a series of studies of the major Victorian novelists, loosely organised round the discovery that they were rather a bourgeois crowd. The Romantics had gone this way before them, evincing "a slowing-down into a quiet conformism, a dissemination of Romantic ideas in such a way as to make them accessible to the middle classes." This makes them Biedermeier—a now familiar term in cultural history on the origins of which, incidentally, Professor Praz provides an instructive note. Coleridge's *Fears in Solitude* may "well be termed Biedermeier"; the Lucy poems display "the true soul of Wordsworth, a Biedermeier soul"; in the life of Lamb "we are face to face with a typical Biedermeier." So we learn without surprise that "the Swiss professor, Friedrich Brie, in applying the term Biedermeier to England, found the essential requisites of this bourgeois type in Dickens."

What follows is for the most part a large deployment of critical commonplace, marshalled with all the erudition that the author, an almost encyclopaedic scholar, can command. The book would be dull but for a single transforming fact: Professor Praz's mastery of what he calls the "game of exchanges between literature and art." On this he has often written before—notably on Milton and Poussin—but never so entertainingly as at the beginning of this book. Breughel's *St. John the Baptist preaching* is a work, like *Vanity Fair*, "without a hero." Dickens and his fellows, in concentrating on setting and on lesser figures, proceed like Jan Steen in *The Marriage of Cana*, interested not so much in the miracle as in the picturesque figures crowding the staircase at the top of which the table is spread. And the resemblance is not, of course, fortuitous. The bourgeois society of the Low Countries in the seventeenth century is substantially akin to the Victorians, and it is thus possible to trace common principles at work in the predominant artistic medium of each. As Pater said of the Dutch painters: "Those innumerable *genre* pieces—conversation, music, play—were in truth the equivalent of novel-reading for that day."

It is unfortunate that this rather expensive book has been in some particulars thoughtlessly produced. When a painting is mentioned there is no indication whether it is reproduced or not, so that we have to hunt through the list of illustrations to find out. And the author might with advantage have revised and excised. The greater part of page 449 has already appeared in small print on page 385. But these are trifles; and Mr Praz ends, as he begins, strongly—with an amusing and revealing survey of the Victorians' views on Rome. Only Mrs Proudie is missing. She had heard, it will be recalled, that Sabbath observance was in eclipse in the Eternal City.

**The King who only Loved
France?**

LOUIS XIV AND MARIE MANCINI.
By Monica Sutherland.
Cape. 213 pages. 16s.

THIS story of the young Louis XIV's love for Marie Mancini, niece of Cardinal Mazarin, Richelieu's political heir, is sympathetically told by Mrs Sutherland. She admits the dynastic objections to a marriage which Louis sincerely desired, but reveals the strength of the feelings which he had to sacrifice. Despite his seduction at eighteen by the elderly Madame de Beauvais (an experience arranged at his mother's request) his affection for Marie was uncontaminated by that sensuality which Athénais de Montespan exploited later on.

The Cardinal's motives in fetching his nieces from Italy were mixed: his wish to help his relations combined with a desire to fortify his position by marrying them to influential nobles. He considered Marie's charms inferior to her sister's; but she had more brains than the brilliant Olympe, who became a countess but was involved in the sorcery scandals that terminated the Montepan's career; or the beautiful Hortense who deserted a duke to win notoriety in Restoration London. Described as "having a face like a prune," Marie nevertheless captivated Louis by her magnetic personality and lively mind. His education had been interrupted by the anti-Mazarin rebellions; and he was a shy and awkward youth, dominated by Anne of Austria, his mother, and by Mazarin.

Marie lay in wait for Louis during his formal visits of inquiry about her mother's fatal illness, and skilfully nourished the friendship by providing antidotes to his boredom: she interested him in her musical and literary tastes and shared his love of the open air. The Queen Mother and Mazarin for long thought it a family friendship that need not be restricted; others regarded it as a romantic game played in the courtly fashion of the age. Marie's uncle was a subtle opportunist—but he wanted a Spanish Infanta for Louis to guarantee his peace with Spain; and Anne was determined that no competitor should jeopardise a match of such strategic importance.

The story, treated with scrupulous fairness, comes near tragedy as Louis and Marie realise gradually that his promise to marry her cannot be kept. But his heart was ruled for the first time by that royal instinct which was to govern his life. Despite her success in educating him, as she believed, for kingship, Marie did not understand what it meant to be king of France—and Louis did. This book gives an unsentimentalised picture of a king still young and vulnerable, but learning to be the Grand Monarch of whom it has been said, *on peut affirmer, en somme, que Louis Quatorze n'a jamais aimé que la France*.

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Sense and Sensitivity

SIR ROBERT WALPOLE: *The Making of a Statesman.*

By J. H. Plumb.

Cresset Press. 422 pages. 30s.

DR PLUMB'S first volume of his life of Walpole is of major importance for eighteenth century scholarship. Although the structure of politics in that age of patronage and management is becoming familiar, an understanding of it has not hitherto been applied to political narrative or to the careers of the leading personalities. Dr Plumb's book is a brilliant study of the personality and the rise to power of Walpole set in the context of a sparkling narrative and an acute social analysis. Walpole was twelve when James II fled the country, and he learnt the trade of politics at a time when the stakes were being raised very rapidly. The need for parliamentary majorities made office the main political lever at Westminster; while the ostentation of the age demanded golden rewards if Palladian houses were to be built, daughters endowed in accordance with the new rapacious conventions and reputation maintained in the county. Dr Plumb shows that the reigns of Queen Anne and George I saw a startling rise in the cost of borough seats, testifying to the competition for the rewards of office and influence. Politics became envenomed, and the disappointed or decaying gentry succumbed readily to Jacobitism and the lures of Bolingbroke.

Walpole's career was supremely successful. The son of a Norfolk squire, inheriting an encumbered estate, he entered and eventually dominated the narrow circle of the Whig aristocracy. He had a superb instinct for political timing, great administrative ability, tenacity in the Commons, and luck. Dr Plumb ends this volume with the sudden death of Sunderland, against whom Walpole had been fighting for control and against whom the battle was by no means won. Walpole's long struggle for the power he felt he deserved and could use shows how the strength and limitations of his nature matched the intense and restricted political life of the period. He was a dexterous politician within the orbit of the court and Westminster and tireless in cultivating his interest in Norfolk, but was insensitive to the larger movements of public opinion and largely unconcerned by them. Instead he relied, as Dr Plumb puts it, on "an intuitive appreciation of particular men." He knew when to oppose and when to come to terms. He was ruthless in breaking the Tory party in 1714; and in 1720, when working for equal status with Sunderland, he defied public opinion by screening the directors of the South Sea Company and the ministers implicated in the crash.

Dr Plumb devotes one of his most important chapters to exposing the myth that Walpole alone appreciated the dangers of the South Sea scheme and alone had the sagacity to rescue the country from the crisis. He shows that Walpole did not question the soundness

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of the scheme and that he speculated heavily and at the wrong times in South Sea stock. That his losses were not greater was due to the prudence of his banker, Jacobbe, who was the author of the remedial measures later advocated by Walpole. It is also a myth that Walpole made his extensive land purchases when prices slumped after the bursting of the Bubble: instead he bought recklessly at the top of the market. But although Walpole showed no financial foresight he exhibited superb political skill, both in exploiting the crisis to make his bid for power against Sunderland and in his fabian tactics in the Commons, which enabled the ministry to survive and gave time for the restoration of confidence in the City.

Although Dr Plumb warms to Walpole's ebullient temperament and robust common sense, he shows that Walpole was unprincipled in opposition, setting the tone for the factiousness that characterised oppositions throughout the century. If Walpole was remorseless to treason he was tender to peculation. His own wealth sprang from office and his extravagance made him voracious. As Paymaster-General he possessed the key office for acquiring a fortune. On his appointment in 1714 he immediately employed Vanbrugh to embellish Orford House; in 1720, when reappointed, he proceeded to add to his estates and to pull down his father's house to make way for a great Palladian mansion. The attraction of his career lies in the drama of his gambles against formidable odds and unprincipled intrigue. Its explanation lies, as Dr Plumb shows with insight and originality, in the rich complexity of Walpole's personality. He was coarse, confident, immensely capable; but he was also endowed with an extraordinary sensitivity revealed both in his aesthetic taste and in his handling of the personal relationships on which political success so largely depended. As Dr Plumb puts it, "his eye for proportion in a building or a chair was complementary to his certainty of judgment in affairs."

Crème de la Crème

'MY DEAR DUCHESS': *Social and political letters to the Duchess of Manchester, 1858-1869.*

Edited by A. L. Kennedy.

Murray. 254 pages. 21s.

THE Duchess of Manchester was as intelligent as she was beautiful, and she was as keenly interested in politics as in the social round. Mr Kennedy has collected some of the most interesting letters written to her in the golden years of mid-Victorian England. Most of them came from Lord Clarendon, who moved in the highest circles of Whig politics at home and European courts abroad. Fifty years ago Lord Fitzmaurice remarked that, in a complete collection of Lord Clarendon's letters, the world may some day enjoy a record of the time equal in interest to the "Letters of Lord Chesterfield." This small sample suggests that the remark was amply justified, and proves

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convincingly that the Duchess of Manchester brought out the best both in his style and in his willingness to impart titbits of gossip and speculation.

Mid-Victorian England is often judged in terms of its middle classes. These letters are concerned instead with a private, exclusive world, parallel to that which in Vienna was known as *la crème de la crème*. Clarendon was a man of the world, whose natural inclination to remain "a gentleman at ease" was usually qualified by an irresistible urge to transact public business and do his "duty to his country." He paid little attention to "showers of newspaper abuse," which occasionally intimidated that the exclusive world was being invaded from outside. His judgments were always patrician, and in consequence he could write of the royal family far more critically than a radical agitator. His judgments, however, were by no means as sound as Mr Kennedy suggests in his interesting introduction. If Clarendon occasionally "saw through" Napoleon III, and prophesied the Franco-Prussian War of 1870, he was misguided about Italian unification and the American Civil War. His distrust of both Gladstone and Disraeli showed how little he understood the dynamic forces in the domestic politics of his day, and his attitude towards the extension of the franchise, while consistent, lacked the precision of men as different as Russell and Bright, Lowe and Salisbury.

It is not for political prescience that the historian should turn to these pages, but for shafts of social insight and useful marginal comments on many important historical episodes. There are fascinating remarks on the state of the Queen's mind just before the death of Prince Albert, on rank-and-file Tory opposition to Disraeli, on day-to-day events at the courts of Prussia and France. The general reader will need no such considerations of utility to guide him. This is a delightful book to read just for its own sake. Some of Lord Clarendon's remarks are worth remembering; "a little Royalty goes a wonderfully long way in a country house," for example, or "how strange the desire is in some men for the places in which they are sure to fail." There are good stories, too, many of them printed here for the first time. It is to be hoped that Mr Kennedy will disinter more of the letters, or perhaps even some of the Duchess of Manchester's replies.

The Fellow-Farmer

OUR SAMOAN ADVENTURE.

By Fanny and Robert Louis Stevenson.

Edited by Charles Neider.

Weidenfeld and Nicholson. 287 pages. 21s.

THE title and attribution of this book are the only things about it less than excellent. RLS and Fanny did not, as it suggests, settle down to collaborate on a joint record of their island life; and one doubts whether, even had they done so, they would have chosen to call it an "adventure." In fact, the bulk and

backbone of the story consists of Fanny's hitherto unpublished diary of the three years 1891-1893. This is supplemented, where there are gaps in the narrative or where an alternative version seemed likely to be especially valuable, by extracts from Louis's letters and by an admirably succinct minimum of editorial summary and comment. The result is delightful—informative, illuminating, entertaining, everything that such a document should be; but it is not a collaboration, even posthumous.

Fanny Stevenson—the "fellow-farmer true through life" of her husband's tribute—was very much a person in her own right and had moreover a genuine literary gift of her own. It is likely, in the editor's opinion, that the chief purpose of her diary, apart from her own pleasure, was to enable her "to refresh Louis's memory of events and places for the benefit of his various literary projects." It is, however, much more than a mere mass of raw material. Even had Louis been a nobody and Fanny's diary consequently no more than the record of any other moderately uncomfortable, modestly successful pioneering venture, it would have been well worth publishing—if only as an object lesson to all feminine writers bent on turning domestic tribulations to account.

It is transparently and magnificently honest. When Fanny is proud of an achievement, she says so; when Louis says something that hurts her feelings she records that "my vanity, like a felled tree, lies prone and bleeding." When she thinks the local banker a brute she calls him a brute; when her "family" of Samoan houseboys and estate workers behave like imbeciles, with ruinous effect on treasured plants, livestock, or the domestic peace of Vailima, she pretends to no superhuman gifts of humour and forgiveness. There is not an ounce of gamesmanship in her makeup; the now familiar play of presenting oneself ostensibly as a well-meaning contented incompetent and between the lines as a grossly ill-used, superhumanly resilient heroine would, one feels, have roused her to vitriolic comment.

Honesty, however, is not her only literary quality. She can sketch a character, describe a scene, narrate an incident, in a manner which is not at all put to shame by juxtaposition with her husband's writing. The Vailima household, Apia society, Samoan neighbours, island officialdom, "come out" like a successful film: the voices speak with sharply individual intonation; face and gesture jump from the page. The brief "war" of 1893, seen indeed from the sidelines but uncomfortably close to, is brilliantly reported with fiercely indignant comment and a partisanship so intense as to draw from Louis (who shared it) an accusation of "arrant mad quixotry." The record is rounded off, after the diary peters out at the end of 1893, with the familiar, sad and dramatic story of Louis's death and burial on the hilltop of Vaea, as told in his mother's letters. Twenty-one years later, Fanny's ashes were interred in the same spot.

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Old Stones

STONEHENGE.

By R. J. C. Atkinson.

Hamish Hamilton. 225 pages. 16s.

FOR over eight hundred years Stonehenge has attracted the attention of chroniclers and antiquaries, but it is only during the last few decades that it has been subjected to serious archaeological research. Mr Richard Atkinson is one of the small team of prehistorians engaged in the engrossing task of trying to discover the historical meaning of the assemblage of stones and earthwork Britain. In this lucid and essentially modest book, he tells us, with the help of an admirable series of new illustrations, what has so far been discovered about the monument.

Much of his space is concerned with sequence. The earliest structure, which dates from near the beginning of the second millennium BC when late Neolithic culture still prevailed in Wessex, comprised a circle of ritual pits enclosed by a penannular bank and ditch with possibly some kind of wooden erection in the middle. Next, two concentric circles of bluestones from the Prescelly Mountains of Pembrokeshire were set up in the middle of the enclosed area, the entrance to which was connected by way of an avenue, bounded on either side by bank and ditch, with the river Avon. It was not until around 1500 BC that the original bluestone circles were dismantled and the familiar lintelled circle and horseshoe setting of trilithons of sarsen stone from the Marlborough Downs were erected with their matching arrangements of bluestone uprights.

How the various stones were brought to the site, shaped and erected are topics that may well tempt readers to experiment for themselves. But the most pressing problem with which Mr Atkinson presents us is why and under whose auspices this astonishing structure, with its many sophisticated details, came to be erected on Salisbury Plain. Quite evidently there must have been some inspiration, to say the least, from outside, and archaeology points unambiguously to Mycenae. Some years ago Professor Piggott showed that many of the richer graves of the Wessex Bronze Age contained objects showing traces of Mycenaean fashions and techniques as well as actual trade-goods, like the famous faience beads, of east Mediterranean manufacture. Then, quite recently, Mr Atkinson himself noticed a delineation of a dagger of Mycenaean type on one of the great sarsen trilithons of Stonehenge. The Mycenaean context of Stonehenge has been established, but beyond this sober archaeology does not yet allow us to go.

At this point Mr Atkinson steps down into the field of conjecture in company with Stukeley, Geoffrey of Monmouth and the rest, distinguished in their day, but a trifle out of keeping with modern scientific temper. Day-dreams can often be a vital element in research, yet it may still be questioned whether they are in place in a popular work, even

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when labelled as such by their author. It is a little ominous that some have praised Mr Atkinson for his fiction and taken his facts for granted. The public appetite for archaeology may well be satiated prematurely if deprived too consistently of the stimulus of being confronted by the fact of the unknown and even on occasion of the unknowable.

Northern Lights

THE CHALLENGE OF SCANDINAVIA.

By William L. Shirer.

Robert Hale. 437 pages. 21s.

MR SHIRER has attempted the virtually impossible, even for a journalist of his distinction—to make something glamorous and gripping out of the worthy, respectable and well-intentioned Nordic social democracies. Only those who sympathise with their politics will appreciate the "challenge" in his thorough but necessarily brief account of the four countries. But the four are sisters under the skin, though they spend much of their time being catty about one another; and English bookshelves have lacked a good single volume that deals with all four as they are today.

The Scandinavian group of nations is unique. Everywhere the Social Democrats are in power, though often in coalition; the flag of the welfare state was raised long ago, though the welfare state has been erected on the foundations of a capitalist economy; everywhere, save possibly Finland, foreign policies are idealist and plain-spoken. The clear air and austere Nordic landscape seem to have entered into the temper of the people, who have realised more of the social goals of liberal humanism than any other people in the world.

Mr Shirer looked enviously at this refuge of sanity while he was in Berlin, and in the last few years has spent some time in finding out about it for himself. Though his book is still the work of an "outsider looking in," it is (in the motto of a newspaper not his own) to a high degree reliable, realistic and readable. In some sections—Finnish foreign policy in the war years, for instance—he moves with lucidity through a murky subject; and he has the good journalist's knack of making the reader constantly surprised at the amount of heavy matter he has put painlessly behind him.

It is difficult to fault him. He does not seem to emphasise enough how close to double-dealing the venerated Marshal Mannerheim came in his relations with Churchill in 1941 and the Germans in 1944. A book of comparisons is bound to underplay the differences between the four countries; but there is a vital distinction between Sweden and the rest, since one is a social democracy in a rich and industrial society while the others are social democracies in poor or chiefly agrarian ones. But as a compact and trustworthy account of a too often overlooked corner of the world this deserves a prominent place on the bookshelf.

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Wars Apart

HENRY CLIFFORD, VC: *His Letters and Sketches from the Crimea.**Michael Joseph.* 288 pages. 42s.THE FREMANTLE DIARY: *An Eyewitness Account of the American Civil War.**Deutsch.* 335 pages. 21s.

LESS than a decade in time separates the siege of Sevastopol from the siege of Petersburg. But in spirit they are a century apart. The Crimea, despite the railway at Balaclava, is a hideous reflection of the Peninsula in a distorting mirror. In its later years the American Civil War, despite the muzzle loading rifles, looks forward to the long agonies of the trenches in the Great War. Clifford was a witness of the criminal blunders of one of the last of the old wars. Fremantle, though the only battle he witnessed was the great set-piece of Gettysburg, was on the fringes of modern war. This is the first contrast between the two. The second is how they look through their field glasses. To a soldier engaged in it, as Clifford was, war seems a nasty, bloody muddle where mistakes are paid for in lives and in pain. To an outsider, as Fremantle was, war has the glitter of courage and a certain nobility about it where mistakes in one battle may perhaps be set right in the next. At Gettysburg he watches Lee and Longstreet, but he does not count the dead on Cemetery Hill.

Clifford is the more vivid. His letters home, from which the book is compiled, are written before the dead have been buried and before anger has given way to numb despair. Brave, intelligent and sustained by his firm Catholic faith, he gives in his letters a critical account of the whole of the campaign. As a member of the staff he saw all the major actions, served in the trenches and endured the winter that killed an army. This is revealed in intimate detail in his letters while his sketches expose the horrors and the miseries. Through Clifford's eyes the reader is brought as close as perhaps he will ever be to that strange war of a hundred years ago.

The Fremantle Diary, though it is supplemented by an able introduction by Maurice Ashley outlining the course of the war, covers but a few months. But in these few months this rather absurd figure of a British colonel met most of the Confederate commanders, wandered on the outskirts of the Vicksburg campaign, was present at perhaps the most decisive battle of the war and in the end, despite his hatred of slavery, found himself in sympathy with the gallantry and defiance of the South. So impressed was he by the bearing of Lee when he rallied Pickett's division after its repulse and by the morale of the Confederate army (made up of probably the finest infantry of the day) that he assumed that the South would gain its independence. But then he did not meet Lincoln, Grant or Sherman. Because it is so precise and limited the diary can only find a place on the shelves of those who have some familiarity with the war. To that audience the book can be recommended unreservedly.

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THE SUMMER KING.

By Aylmer Vallance.

Thames and Hudson. 212 pages. 16s.

CARDINAL ALBERONI'S "political Testament" of 1753 credits Baron Theodore von Neuhoff, a minor Westphalian noble, with "the boldness to make pretensions to the sovereignty of Corsica and cause himself to be made king." And *l'audace, toujours l'audace* might well have been his motto. He would have been at home among the adventurers—Jabez Balfour, Whitaker Wright, Hooley and Bottomley—in an earlier book of the late Mr Vallance, *Very Private Enterprise*; but he was more romantic and less harmful—even to his Corsican "subjects" whose suspicions reacted more dangerously than the average shareholder's.

His six months' kingship, which ended ignominiously in November, 1736, exhibited most of his peculiar qualities: financed by the Jewish communities of Leghorn and Tunis, his failure was as much due to his criminal follies as to Corsican feuds. He was a liar, a thief, a callous seducer, and a coward; yet seven years later the English Government sent him in a frigate round the island to find out if his subjects wanted him back.

This was the last of a series of enterprises which began with his misappropriation of Swedish secret service money in 1715. Expelled from Tuscany in 1747 Theodore came to London. But English

interest in Corsica had evaporated; and after living for a few months on the curiosity excited by his reputation, he was arrested for debt and lodged in the King's Bench Prison. There he remained till released by the passing of the Act for the Relief of Insolvent Debtors (he offered his kingdom as his security) in May, 1755. But despite a somewhat cynical "Public Appeal" by Walpole and a "benefit night" by Garrick, King Theodore's career declined rapidly. His grave in the paupers' corner of St. Anne's, Soho, would have been forgotten as soon as his monarchy, but for an inscription erected by Walpole, whose ironic moralisings provided an edifying epilogue to a picturesque impostor's tragi-comedy.

Mountain Pictures

MONT BLANC TO EVEREST.

By Gaston Rébuffat.

Thames and Hudson. 158 pages. 35s.

THE AGE OF MOUNTAINEERING.

By James Ramsey Ullman.

Collins. 384 pages. 30s.

THE literature of mountaineering has been copiously illustrated, from the days of Whymper's drawings to the photographs of the present era. But the reproduction of the illustrations, especially of photographs, has too often not been as skilled as the work of the photographer. "Mont Blanc to Everest" is a shining exception and it should set a standard by which future pictures of

mountains will be judged. The photographs themselves are of the very first order—in itself not an unusual event—but they are reproduced in photogravure of a quality that is a delight to see. Too frequently the work of the printer goes unacclaimed, and it is with gratitude that we pay tribute to the French printers, Etablissements Braun et Cie of Mulhouse, who were responsible for the photogravure plates. No better photogravure reproduction is likely to be seen for a long time to come. Fortunately, the printing of the pictures is matched, in the English edition, by the excellent typography and press-work of the text, for which Jarrolds of Norwich were responsible. Gaston Rébuffat, a Marseillais by origin who became a Chamonix guide, has contributed a highly sensitive commentary which has been most successfully translated—and the translation can have been no easy task—by Geoffrey Sutton.

"The Age of Mountaineering" is based on the author's previous "High Conquest" but continues the story of mountaineering up to the ascent of Everest. Mr Ullman's book should be judged as popular history and not as a serious contribution to the literature of mountaineering. For British readers the most useful section is probably that dealing with the American continent, though the chapter on British mountains (contributed by Mr W. H. Murray) contains some excellent advice to those whose experience has been confined to the British Isles.

BRITISH BANKING 1956

The Reluctant
Squeeze

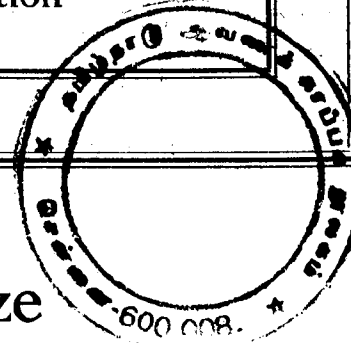
Strains on the Sterling
Area

How Hire Purchase
is Financed

Liquidity Controls
in Canada

Stronger Medicine for
New Zealand

Pakistan after the
Devaluation



The Reluctant Squeeze

IN the sphere of domestic monetary policy, the experiences of this past year have been among the most eventful, and certainly the most contentious, in recent history; and to many people they have also been not a little disappointing. Twelve months ago it seemed reasonable to claim that the effectiveness of the traditional monetary weapons of restraint had again been demonstrated. But these weapons, brought into play for only the second time in a generation, had then been in operation for little more than four months; and when that claim was made for them in the last of these surveys of British banking it was explicitly based upon their effects within the monetary sphere, because it was then too soon for their "real" effects to be measurable. Unfortunately, those effects are not clearly measurable even now, because of the impossibility of assigning particular changes to particular causes, and because the monetary restraints have had to contend with some important contrary influences—notably the optimism of Mr Butler's first 1955 budget and the strength of wage pressure throughout the year.

Whatever degree of disinflation has been achieved up to date, it has certainly been less than many people, not excluding the monetary authorities, at first expected the monetary measures to achieve by themselves. Yet those measures have since been supplemented by others—notably the restrictions upon hire-purchase, the increase in purchase

tax, the driving of the local authorities into the capital market, and the efforts to slow down the capital outlays of the public sector. Since there is no sure and objective means of assessing the relative effectiveness of the monetary and non-monetary restraints, different observers suggest widely differing conclusions, often with equal plausibility. But almost everyone agrees that the monetary action has exerted its effects much more slowly than had been hoped—which has led some people to demand "improvements" in the monetary apparatus, others to insist that existing techniques must be used more toughly, and yet a third group to conclude that monetary policy is impotent and should be supplanted by physical controls.

This annual survey is not the place for attempts to penetrate this fog of controversy. The arguments about the role of monetary policy, and the methods by which it should operate, will not be settled this year or next; but the study of these problems will certainly long dwell upon Britain's experience in the phase that opened with the increase in Bank rate in January 1955. Therefore the best contribution this year's survey can make is to bring the factual story up to date, and to confine deductive analysis to matters of technique that are amenable to objective tests.

The first point to observe is that, whether monetary policy has or has not been firm enough, the authorities



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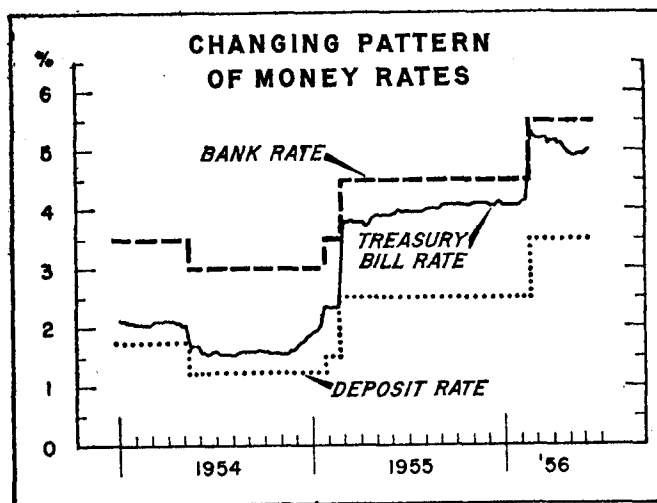
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themselves obviously feel that they have been operating it both courageously and forthrightly. And in the opening phase, at least, the purely monetary results fully justified this view. The increase in Bank rate from 3 to 4½ per cent early last year actually had stronger effects than had been foreseen. Because the higher rate was made technically effective by keeping a tight rein upon credit supplies in the short loan market, the Treasury bill rate was forced



up closer to Bank rate than it had been for many years. The unusually wide margin thus opened up between bill rates and deposit rates, illustrated in the first of the accompanying charts, caused a severe drain upon bank deposits and simultaneously cut down the banks' share in the supply of bills. Hence, at this stage, the classical instruments of Bank rate combined with open market operations proved to be the means of putting a sharp pressure upon bank liquidity. The banks were forced to make unprecedentedly large sales of investments on a falling market in order to meet the then still rising demand for advances. But, despite the discomforts thus caused to the banks, the authorities then reinforced the squeeze by assaulting bank liquidity more directly, by themselves selling gilt-edged in order to keep down the volume of bills.

Credit Contraction Slackens

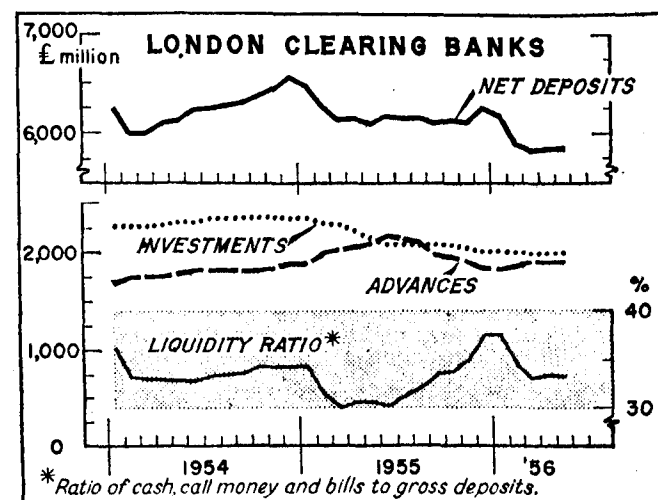
By the standards of the previous twenty years this array of measures represented very salutary action indeed—and action that conformed strictly to the rule book of orthodoxy. By mid-1955, when this first phase ended, the technical results looked highly impressive. In the first half of 1955, although overseas sterling balances were contracting, whereas in the first half of 1954 they had been sharply rising, the liquid assets of the clearing banks were reduced by no less than £420 million—or by £116 million more than they had fallen in the similar period of 1954. In consequence, the long upward trend of bank deposits was abruptly reversed: in the four months to mid-1955 the seasonally-corrected index* compiled by Lloyds Bank dropped by 3½ per cent from the peak reached on the eve of the increase in Bank rate to 4½ per cent.

In these past twelve months nothing approaching that intensity of pressure has ever been attained again. The deposits index dropped by a further 2.4 per cent in the five months to last November, then turned upwards again, and at the latest make-up, that for mid-May, was only

0.8 per cent lower than in November. The total of net deposits, at £5,860 million, is £244 million or 4 per cent lower than in May 1955. Its decline since last November amounts to £250 million, in contrast with the decline of £330 million achieved in the similar period of 1954-55. The contrast between the three-month periods following the February increases in Bank rate (to 5½ per cent this February and to 4½ per cent in February 1955) is even more striking: deposits have been reduced in these past three months by only £39 million, whereas last year they were reduced by £153 million.

This contrast appears the more remarkable when it is recalled that in the corresponding phase last year bank advances were still rising strongly, whereas this year they have been subjected to the arbitrary constraint of Mr Butler's "request" of last July. The behaviour of advances in February and March—they rose in each of those periods by roughly £40 million—suggested at first glance that this constraint might be losing its force; but the fact that total advances have since risen by only £5 million despite the continuing borrowings by the public utilities shows that the credit extended to the private sector is still contracting. Over the six months since last November, a period that included some repayments by the utilities out of the proceeds of market issues, total advances have fallen by £4 million, whereas in the corresponding months of 1954-55 they rose by no less than £244 million. In the period since the last rise in Bank rate, which has carried charges to marginal borrowers up to, and even beyond, 6½ per cent, they have expanded by £45 million (£103 million last year). At £1,910 million, they are £194 million below their level of May, 1955, but almost 30 per cent of this decline must be attributable to net repayments by borrowers in the public sector, so that advances to the private sector have probably been reduced over the year by about 7 per cent; the decline from the peak reached at the time of the "request" would be somewhat greater than this.

It should be added that there are some grounds for believing that the sanction of high rates has played a bigger



part in bringing about this decline than is often supposed. In general, the banks' attitudes towards borrowers have been firm rather than really tough; and a substantial part of the decline in private-sector borrowings reflects a falling away in demands, as distinct from refusals by bankers or their pressure for repayments. The latest rise in Bank rate, unlike the rise in February 1955, may therefore have had a

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more perceptible effect upon bank advances than upon the volume of credit as a whole.

The key to the contrary behaviour of deposits and advances is to be found, of course, in bank liquidity. In the period since mid-1955, although individual banks have at times suffered fairly considerable pressure upon their liquidity, there has been no such strain as that imposed in the opening phase. In the second half of 1955 there was an astonishing transformation from stringency to ease. Total liquid assets expanded by the extraordinary amount of £509

LONDON CLEARING BANKS
(£ million)

	1955		1956	
	Feb. 16	May 18	Feb. 15	May 16
Deposits.....	6,525	6,361	6,164	6,152
Net deposits*.....	6,257	6,104	5,899	5,860
Liquid assets.....	2,042	1,943	2,111	2,042
Ratio %†.....	31.3	30.5	34.3	33.2
Risk assets.....	4,298	4,245	3,872	3,900
Investments.....	2,298	2,141	2,007	1,990
Advances.....	2,000	2,104	1,865	1,910

* Excluding items in course of collection. † % of gross deposits.

million, to £2,471 million, in contrast with a growth of only £226 million and £268 million in the corresponding halves of 1954 and 1953. The liquidity ratio thus mounted during the six months from 30.1 to 37.4 per cent, whereas in 1954 it had risen only from 32.9 to 34.3 per cent and in 1953 from 34.8 to 36.8 per cent.

The authorities contended at the time that the "request" for cuts in bank advances was intended simply to reinforce and accelerate the effects of the orthodox credit squeeze, and would not be regarded as justifying any abatement of the orthodox pressure. They would doubtless further argue that there never was any deliberate abatement—that the extent of the replenishment of bank liquid assets was an undesired consequence of influences that proved too strong to be resisted. The most important of those influences was the need to float in the summer the two funding issues, totalling £297 million, for the gas and electricity industries—since it was argued that unless these means had been provided for the repayment of bank advances by the public sector, the banks would have found it difficult if not impossible to squeeze borrowers in the private sector. In addition, the Treasury had to refinance the £524 million of Serial Funding stock that matured in mid-November.

Shifting Focus of Policy

Especially during the summer the "departments" were persistent sellers in the gilt-edged market, but it is evident that their total net sales during the second half of the year, together with whatever "genuine" subscriptions were received for the autumn refinancing issue (which was believed to be relatively successful), must have fallen far short of the sum needed to finance the official take-up of the utility stocks and the unconverted residue of the Serial Funding stock. During this phase the decline in the gold reserve abated the need for domestic borrowings to the extent of £200 million. In terms of bank liquidity, however, some two-thirds of this effect was probably neutralised by the simultaneous reduction of £133 million

in Britain's short-term liabilities overseas—which must have diminished the competition of overseas monetary authorities for Treasury bills and thus released bills correspondingly to the domestic banking system.

In retrospect it seems evident that, consciously or unconsciously, the authorities had in this second phase shifted the focus of their policy from deposits to advances: in the first phase they were concerned to exert a general credit pressure, whereas in the second their primary concern was to curtail advances. And although they may not have deliberately abated the orthodox pressures, it is evident that these would have had to have been much stiffened if they alone were to have produced as substantial a decline in advances as has been achieved with the aid of the "request." The sales of gilt-edged would have had to be much more vigorous, and the 5½ per cent Bank rate would doubtless have come much sooner. In other words, the orthodox measures were not keeping in step with the arbitrary one, and by the end of 1955 this lack of alignment was threatening to set in motion influences that would neutralise much of the restraining effects exerted by the advances squeeze. One of the big five banks had already begun to absorb part of its increased liquidity by venturing anew into the gilt-edged market. Recollections of the pains administered by the authorities in the first phase, coupled with the supposition that these strong and orthodox tactics might be repeated in the "revenue" quarter of this year, were keeping other banks from following suit—but this was an undependable sanction.

These inherent weaknesses in the second-stage tactics seem to have been acknowledged by the authorities since the turn of the year. The increase in Bank rate last February was the most overt sign of this change, but there have been many other indications that policy is groping its way to a new version of orthodox principles. The whole sequence of efforts to minimise the recourse to bill finance—from the autumn change in procedure for local authority financing to Mr Macmillan's premium bonds and his new plan for the nationalised industries—is designed to save the monetary authorities from the sort of paradoxical dilemma in which they found themselves in the second half of last year. The focus of policy, if it has not been clearly switched back again to the behaviour of bank deposits as such, is very clearly directed upon bank liquidity. The professed principles of policy are, for the present, quite plainly orthodox again—though whether practice will fully match the precepts is still open to question.

The increase in Bank rate has evidently had much less effect upon bank liquidity than did the 1955 increases (thus fulfilling a forecast made in this Survey last year). Hence, in the absence of really tough tactics in the gilt-edged market, the net decline in bank liquid assets since the beginning of the year has been slightly less than in the similar period of 1955, in spite of the markedly stronger trend in the domestic finances of the Exchequer. One subsidiary reason for this has doubtless been the decline that was permitted to occur in the Treasury bill rate—not to mention the associated, and even steeper, decline in yields in the short bond market—from the peak reached in February. The slight corrective movement that has developed since end-May is therefore welcome—for this is no moment to encourage the recent City chatter about the possibility of a Bank rate reduction. But it is upon control of liquidity that official policy should now mainly rely.

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Strains on the Sterling Area

THE transformation last year of the sterling area's balance of payments from a surplus in 1954 of £47 million (before crediting Britain's receipts of defence aid) to a deficit of £225 million was attributable almost entirely to Britain itself; and the fall in the gold and dollar reserves occurred in spite of an increased contribution from the overseas sterling countries—and especially the colonies. Now, it appears likely that the conjuncture in 1956 may be in neat and disturbing contrast. While Britain's own balance of payments has shown tentative signs of recovery—as yet disappointingly small, but probably big enough to restore a surplus for the year—the balance of the overseas sterling area seems to be swinging into deficit. Australia and New Zealand, the two countries that have been in exchange difficulties for some time, have hardly yet succeeded in checking the excessive levels of their imports, while the surpluses of the other sterling territories are being eroded by a major adverse swing in their terms of trade.

Since the beginning of the year a number of sensitive commodities of key importance in the sterling area's earnings of foreign exchange have been falling in price—and in some cases the fall has been precipitate. Rubber prices, for example, have been more than halved in the past eight months. Copper has fallen in little more than two months from a high record price of £435 a ton to under £300. In addition, such other dollar-earning stalwarts as cocoa, tea, jute and zinc have fallen in price, though wool has recently shown a slight upward trend. At the same time, moreover, many of the commodities of which the sterling area is a substantial net importer have been rising in price. They include wheat, timber, newsprint, nickel, aluminium, coal, steel and, most important of all, though its precise impact on the payments balance is difficult to ascertain, oil.

These unfavourable price movements explain in part the disappointingly small increase in the central gold and dollar reserves during the phase of seasonal strength. In the first five months of this year the increase has been \$249 million—compared with \$467 million and \$475 million in the corresponding months of 1954 and 1953. In May of this year the monthly gain tailed off to \$41 million, and towards the end of the month and in early June sterling sagged close to the dollar parity. This is a poor augury for the months of seasonal pressure ahead—particularly as the pressure is likely to be intensified by a bigger demand and higher prices for dollar grain, following the harsh winter and the dry spring in Britain and Europe.

Finally, a further possible source of danger is that the present pause in the American boom might develop into a modest recession—which would inevitably lead to some curtailment of dollar purchases of sterling commodities. In one sector, indeed, the movement has already begun: the downturn in production in the United States car industry has already led to a notable fall in purchases of rubber.

This ominous list of apparent and possible threats to sterling in coming months should not be interpreted as a calculated forecast of crisis, or even severe strain. It does not by any means complete the reckoning of the sterling prospect. The technical position is good: foreign working balances of sterling have been rebuilt only to modest levels, and there seems to be relatively little scope for speculative

capital movements through the "leads and lags" in payments and receipts that caused so much damage in 1955 and in earlier "odd" years. The deterioration in the sterling current account that could result this year from an adverse swing in world prices and demand does not seem likely to be unduly large—by normal standards. The closeness of the watch that needs to be kept today is attributable to the exiguous level of the reserves. They have been run down in the good years. It is this more than anything else that is responsible for the present strain on sterling and on the cohesion of the sterling area. When the cushion is inadequate, every bump can be serious, and demands search for and remonstrance of the major culprits.

In the recent phase of strain, as has been intimated above, the chief culprits were Britain and certain dominions

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Gold and Dollar Accounts of Sterling Area
(£ million)

	1953	1954	1955
I.—TRANSACTIONS WITH THE DOLLAR AREA			
<i>United Kingdom :—</i>			
Current trade and payments.....	- 116	- 137	- 251
Defence aid	+ 102	+ 50	+ 44
Net capital transactions.....	+ 31	+ 73	+ 19
Total UK dollar balance	+ 17	- 14	- 188
<i>Rest of Sterling Area :—</i>			
<i>Dollar balance :—</i>			
Colonies	+ 101	+ 101	+ 120
Independent sterling countries.....	- 14	- 75	- 108
<i>Gold Sales in UK :—</i>			
Colonies		+ 9	+ 10
Independent sterling countries.....	+ 78	+ 129	+ 166
Total RSA balance	+ 165	+ 164	+ 188
Total Sterling Area balance with dollar area	+ 182	+ 150	nil
II.—TRANSACTIONS WITH NON-DOLLAR AREA INVOLVING GOLD PAYMENTS			
.....	+ 58	- 63	- 229
Change in Gold and Dollar Reserve	+ 240	+ 87	- 229

—notably Australia and New Zealand. The heroes, indisputably, were the colonies. A summarised picture of the performance of the main groups in the sterling area is shown in the accompanying table. In 1953, the gold and dollar reserves rose by £240 million. In the first half of 1954, fortified by favourable seasonal influences and by the inflow of foreign funds to London, the trend was still well upward: the reserves rose by another £179 million. Then began the decline—by £92 million in the second half of 1954 (of which most however was attributable to special capital repayments); by £29 million in the seasonally favourable first half of 1955; and by no less than £200 million in the second half of that year.

The largest single element in the deterioration last year was the increase in Britain's deficit in its transactions with the dollar area. The deficit in current payments rose from £137 million to £251 million; receipts of defence aid dropped from £50 million to £44 million; and net receipts

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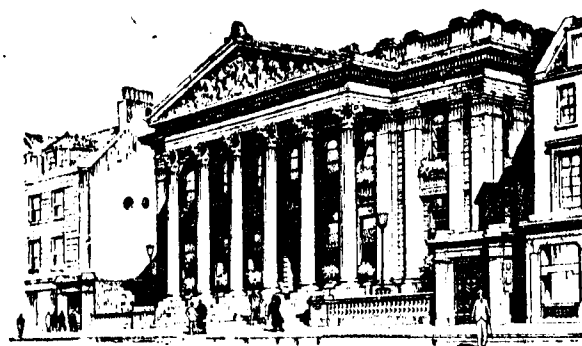
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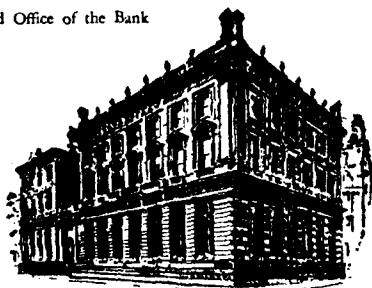
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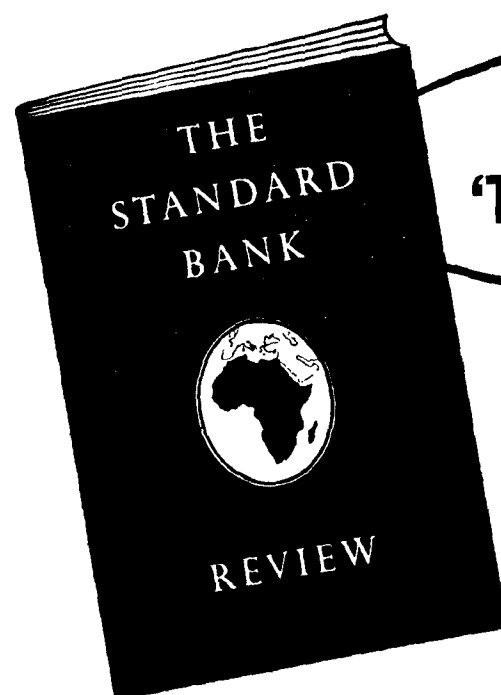
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on capital account from £73 million to £19 million. Hence, the net deficit in direct trade with the dollar area rose from £14 million to £188 million.

This deficit was exactly matched by net receipts of gold and dollars from the overseas sterling countries (the fall of £229 million in the reserves being accounted for by the sterling area's net payments to non-dollar countries). The colonial territories continued and increased their net contribution of dollars—from £101 million in each of the years 1953 and 1954 to £120 million in 1955. This praiseworthy performance was aided by high commodity prices, notably for tea and cocoa—and now that these prices have fallen this contribution may be expected to diminish. The direct dollar account of the sterling dominions showed a steady deterioration, the deficit rising from £14 million in 1953 to £75 million in 1954 and £108 million in 1955; but this deterioration was almost exactly matched by an increase in gold sales in London (from £78 million in 1953 to £166 million last year). The offsetting movement reflects in part simply the action of some countries, above all South Africa, of selling more of their gold in London and financing more of their dollar imports through it—though South Africa at least has also increased the total value of its gold sales, from higher production.

Within a few weeks of its reopening in March, 1954, the London gold market had again become by far the most important of the free gold markets of the world, and drew in supplies that in the earlier postwar years had filtered into the quicksands of the premium markets of the East. The boom in the manufacture of gold bangles and ashtrays was punctured by the disappearance of the premium in 1953. Correspondingly more gold has come into the recognised channels that feed the monetary reserves, and most of it has come to London.

The deterioration in the sterling area's gold balance with non-dollar areas, from a net surplus of £58 million in 1953 to deficits of £63 million in 1954 and £229 million in 1955, reflects to a large extent the swing to deficit with the European Payments Union. It should be noted, however, that since the widening in 1954 of the area in which sterling can be transferred without formality to embrace the whole non-dollar world, the EPU deficit has reflected not simply the sterling area's balance with European countries

but to a large extent its balance with the whole non-dollar world, and on capital as well as current account. There can be no question, for example, that the substantial deterioration in the EPU balance last year resulted not only from a worsening of the sterling area's current balance of payments with EPU countries, but also from the channelling of surplus sterling into the EPU settlement as a result of the running down of working balances by residents in countries within the EPU area and outside it.

These speculative pressures, as has been suggested earlier, need not recur to any substantial extent this autumn. For the rest, the prospect indicated by the recent experience is by no means wholly unfavourable, even for the overseas sterling area. The dollar earnings of the colonial territories, as has been seen, will probably fall off. The sterling dominions however may improve their performance. South Africa, which has no link with the central dollar pool, may sell more gold in London from the proceeds of its increased production in order to replenish its sterling balances. These were run down in 1955 by transfers for investment on the London market, which became so large that the South African authorities have this year subjected them to control. While a larger gold flow may be expected from South Africa, a smaller drain should—though by no means certainly will—be suffered from the Antipodes. In both Australia and New Zealand exchange reserves have been run down to rock bottom. So far imports have shown little response to earlier cuts in quotas; but these have now been supplemented by fiscal and monetary measures. In Australia, a supplementary budget has been introduced, interest rates have been raised and official support has been withdrawn from the bond market—action that should in the long run prove far more effective than the largely abortive restrictions on imports. In New Zealand, too, the authorities have tightened their monetary pressure, as a subsequent article explains. In the sterling area as a whole there has hitherto been a half-hearted quality about the efforts to secure that "soundness of domestic conditions" that was to be the first condition to be satisfied in making sterling safe for the advance to formal convertibility. The turn for the worse in the sterling area's terms of trade underlines the danger that any persistence of this half-heartedness would involve.

How Hire Purchase is Financed

WHILE hire purchase has grown to respectability in Britain, the same cannot yet be said so surely of its finance. A large part of the financing side of the business remains shrouded in statistical obscurity—and in euphemism. Even in the sphere of consumer credit, most of the numerous specialists unwarrantably scorn the only accurate style, "finance house," and prefer to dignify their activities as "industrial banking."

The £400 million or so of hire purchase credit now being made available each year is extended by a very large number of finance companies, retailers, wholesalers, manufacturers and nationalised corporations. The commercial banks, subject to the single exception of the Commercial Bank of Scotland, do not directly engage in it, though a substantial but unknown proportion of the total is furnished by them indirectly. At mid-February, the latest date for

which a classification is available, total bank advances to the finance companies reached £35.4 million—compared with the peak of £45.1 million in August last, but only £11.2 million in February, 1954. But these advances by no means comprise the full extent of the banks' ultimate finance of hire purchase, which flows unidentifiably also through their general advances to retailers (£185.7 million in total at mid-February) and indeed through those to manufacturers, who can and do use bank funds as a prop to permit the granting of their own credits to retailers, who can in turn pass the money on to their customers in hire purchase facilities.

Ever since the acquisition by the Commercial Bank of Scotland of a large hire purchase finance business in the autumn of 1954, observers have watched for signs of a parallel move by any other bank, and in particular by any

of the big clearing banks. There has been no definite evidence of any such move; nevertheless, it is thought in some circles that the question of direct bank participation in this field is no longer whether but when. The experience of Britain and still more of overseas countries shows that, contrary to the opinion widely held before the war, hire purchase generally grows in importance with the standard of living. Britain is in fact one of the few countries in which the commercial banks in general have resisted the attractions of direct participation in this ever-growing sphere of business. In Australia one of the largest stakes in hire purchase finance is held by the central bank itself.

The first official measurement of the streams of hire purchase finance in Britain was published by the Board of Trade in April, in a new series of estimates, as yet tentative and incomplete. These suggested that at the end of 1955 the amount of hire purchase debt owing to retailers (including co-operative stores and the Gas and Electricity boards, but excluding garages) was between £250 and £300 million. In addition, £169 million was owed to the 262 finance houses embraced by the inquiry. But no estimate was considered possible of the credits extended by the smaller finance houses that did not make returns—and the total number of houses has recently been stated to run into "literally thousands." Moreover, the official estimate of the retail credit covers only furniture, hardware, radio and electrical shops and department stores—which account for the great bulk, but by no means all, retail hire purchase business.

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The finance for a hire purchase sale made by a retailer may be extended in one of three ways. The retailer may finance the transaction from his own resources. Secondly, he may immediately pass the transaction on to a finance house which from the outset acquires title to the article and makes its own credit arrangement with the purchaser. Thirdly, the retailer may initially make his own hire purchase contract with the customer and subsequently discount the paper with a finance company—which for this business, as distinct from that transacted direct with purchasers, thus retains a right of recourse against the retailer in the event of default. The amounts granted by the finance companies through such "block discounts" are in practice far larger than those granted direct to retailers' customers. But the mainstay of the finance companies' business appears to be provided by the customers of the motor dealers. Virtually all hire purchase business in cars, commercial vehicles and other capital goods is financed direct by the companies.

The area of competition between retailers and finance houses in the extension of hire purchase credit is not in fact very large. Their respective "spheres of influence" are illustrated in the official estimates of the distribution of the credits extended by the reporting finance companies direct to hirers—excluding, that is, credits granted to retailers on block discounts. At end-1955 nearly one-third of the companies' direct credits financed non-consumer goods (commercial vehicles accounting for 21 per cent of the total, industrial and building equipment for 7 per cent and tractors and other farm equipment for 3 per cent); private cars accounted for a further 43 per cent, motor cycles and caravans for 8 per cent, and furniture, radio, television, domestic appliances and miscellaneous goods

together for only 18 per cent. In March last, the latest month for which official estimates are available, the credit granted by finance houses on household goods was only £169,000, compared with £54 million of hire purchase sales (i.e., including the value of the deposit) by retailers. However, the shares in the actual finance of household goods are considerably less divergent, since the figures make no adjustments for the retailers' subsequent discounts of their paper with finance houses.

Most of the larger retailers conduct their hire purchase business through a separate, specialised department, whilst some important chain stores have gone so far as to incorporate subsidiary finance companies (to this extent the official figures understate the true share of the retailers since they group these retail subsidiaries with the finance companies). But, particularly in the electrical trade, much of the hire purchase business is transacted by small firms, financed by the family and friends.

The commercial and financial practice of hire purchase business naturally varies appreciably within this heterogeneous range of operators, specialising in different classes of goods. For instance, the small retailer who furnishes credit from his own resources may be reluctant to grant contracts for periods much over twelve months, whereas the finance companies, before the extension of the statutory control last year, were willing to extend credit for certain expensive items of industrial equipment for considerably more than two years (which is now the legal maximum period of repayment on nearly all goods save a few sold mainly by the nationalised Gas and Electricity boards).

On the other hand, the size of the initial deposit demanded by the smaller retailers and some of the youthful finance companies—likewise before the tightening of restrictions, which now demand a minimum deposit of 20 per cent for furniture and certain domestic appliances and 50 per cent for all other goods—was generally distinctly smaller than that asked by the more prudent of the finance houses. The proper criterion is that the amount of credit extended should always exceed by a safe margin the resale value of the goods. The appropriate size of the deposit thus depends on the rate of depreciation. On many consumer goods, such as furniture and some household equipment, this is clearly much larger than was allowed for, in the days of freedom, by the terms offered by many retailers and companies. But so far, at least, the default rate on all hire purchase business has been extraordinarily low—a fact that has enabled at least two enterprising insurance companies to offer, at very low premiums, policies affording cover against the risk of default.

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The sources from which hire purchase finance is drawn are likewise very diverse. The retailer finances himself from trading profits or banking and trading credits; the small finance company from initial capital, loans from friends or associated companies and from whatever other sources it can find; the large finance company from the regular channels of the capital market—when the authorities permit. In addition, virtually all companies accept deposits from the public, attracted by high interest rates (ranging at present from 6 to 8 per cent) and, by some but not all companies, by advertisement—the legality of which has yet to be tested in the courts. The finance houses commonly also draw funds through three further routes:

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THE ECONOMIST, JUNE 16, 1956

the issue of debentures (less favoured now than in former days); loans from the commercial banks; and acceptance credits—under which they draw their own bills on an accepting house for discount in the market.

With the single exception of the acquisition of funds on deposit, each of these sources of finance is subject to stringent controls imposed by or at the instance of the monetary authorities. The most rigorous control is that over the issue of new capital. Since 1945, except for a brief interval in 1954-55 (from August to February), the Capital Issues Committee has been instructed to maintain particular stringency in examining proposed issues for hire purchase finance. Before last March, when the limit of exemption from CIC control was reduced from £50,000 to £10,000 of borrowings in any one year, the effect of this virtual ban upon capital issues for hire purchase was largely to stimulate the formation of small finance companies, uncounted numbers of which are now bestrewn over the field. How successful the lower exemption limit will be in keeping down further growth is still uncertain. Judging by recent practice, some companies by no means consider a capital of £10,000 or less to be inadequate as a backing for the raising of deposits from the public.

Official control over short-term money other than deposits used in hire purchase finance is exercised through the Treasury "requests" governing the lending policies of the joint-stock banks and the accepting houses. At the end of 1946, the banks were asked not to increase credit lines for hire purchase finance above existing levels, and that curb was relaxed only in 1954-55. Moreover, on two occasions, in 1952 and last year, the banks agreed to enforce an actual reduction in facilities. In spite of this, the balance sheets of the larger finance houses suggest that actual bank advances (as distinct from limits) have grown very con-

siderably in the last few years. By the second half of last year however the banks, as noted earlier, had succeeded in checking advances to finance companies, and by the year-end achieved their agreed cut of 15 per cent. At present, the finance companies are unable to secure any new facilities from either the banks or the accepting houses.

Notwithstanding the shortage of funds and the sharp increases in the general level of money rates since the beginning of 1955, the charges for hire purchase finance have risen only moderately. The spread of charges by finance houses at present generally ranges between 7 per cent per annum (signifying a true charge of nearly 14 per cent on average debt outstanding) for industrial goods and new cars to a maximum of around 12 per cent for most household goods. Some large retailers and the Gas and Electricity boards offer considerably cheaper terms. In general, the increase in quoted charges in the period in which Bank rate has risen from 3 to 5½ per cent appears to have been not more than 1 per cent.

The smallness of the rise is due in part to the fact that the charge represents not only interest but also, and especially, the costs of collection, card-indexing and inquiry (which are high) and payment for the risk of default (which, as has been noted, is at present low). A more important factor, however, is probably the artificially wide margin that has existed between the finance companies' charges and the rates at which they secure their funds. The ensuing attraction of an ever-growing number of companies into the field has for some time been tending to put pressure on the level of charges; and once the present financial stringency and special restrictions on the supply of funds to the finance companies are relaxed, the force of competition may be expected to result in a considerable cheapening of hire purchase credit.

Liquidity Controls in Canada

BY OUR CORRESPONDENT

THE Canadian monetary scene has been dominated for twelve months by a continuous and considerable expansion of bank loans to business and individuals. A year ago at this time the rapid rise in bank lending was hailed as the first decisive sign that the pace of business was picking up after the mild recession of 1954 and a winter of unusually severe unemployment. This year the same phenomenon is taken as a much more dubious pointer. Fears are entertained in many quarters, not least official quarters, that the credits available to business will exceed the physical rate of growth that the Canadian economy, and the labour force in particular, can sustain. Accordingly, the credit brakes are on.

Canada was slower than the United States to pick up after the 1954 recession, and the early part of 1955 was marked by the unusual conjuncture of Canadian money rates falling below those in the United States. For a short time in early February three-months Treasury bills yielded less than one per cent; and in mid-February the Canadian Bank rate was reduced to 1½ per cent. It was raised again to 1¾ per cent in April; by mid-year bond prices had turned downward and the chartered banks were increasing their general loans rapidly. At least since early August

of last year, when the Bank of Canada again raised its re-discount rate, to 2 per cent, the efforts of the monetary authorities have been directed towards restraining the demand for money. One pipeline after another has been blocked, or at least obstructed. Nonetheless, the flow of loans by the chartered banks has continued to increase.

The persistent, though cautious, efforts of official policy to resist excessive credit expansion have—as in the United States—involved a long series of increases in the rediscount rate, culminating in the move to 3 per cent in April this year. But Canada, like the United Kingdom, has found that Bank rate alone is not enough. The authorities now find themselves warning the public that its effect should not be exaggerated. Supporting measures have been taken, and together the restraints have all but checked the expansion in the money supply. But during the first three quarters of 1955, bank deposits rose by more than \$850 million, or 9 per cent; loans bounded upward, whilst holdings of government securities continued to increase, until August. In the last quarter of 1955, however, the chartered banks' sales of government securities reached \$486 million, which nearly covered the increase in loans and mortgages. Since the turn of the year, too, the Bank

of Canada has succeeded in keeping the banks on a tight rein. Between the end of the year and mid-May, bank deposits increased by less than \$70 million. At the same time general bank loans increased by over \$430 million.

The eventful course of Canadian banking in the last twelve months may be seen as a continual search by the banks for new sources of funds from which they could meet the heavy demand for loans. It may be recalled that the dozen chartered banks of Canada are highly competitive, and always under some temptation to gain new customers by lending more freely than rivals. During the summer of last year, the first resort of the banks to secure loanable funds seemed to be to run down their liquid assets in the form of day-to-day loans to the money market and Treasury bills. By November, the banks' ratio of liquid assets (defined as cash, day-to-day loans and Treasury bills as a proportion of deposits) had declined on average to just over 11 per cent, compared with 14 per cent a year earlier.

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Canadian law provides no statutory ratio for liquid assets; and until last year there was no convention or recognised operating principle applying to it. The only legal requirement is that each bank must maintain its cash ratio at a monthly average of 8 per cent. But last autumn the Bank of Canada took the initiative in urging the chartered banks to adopt by agreement an additional minimum ratio for all liquid assets. The new Governor, Mr James E. Coyne, maintained that, in the absence of some such limitation, policies of monetary restraint could be nullified, as the chartered banks could then meet a rising demand for loans by running down liquid assets, instead of having to face the discipline of selling government bonds, probably at a loss. But eventually, the Governor argued, the time would come when liquid assets would have to be restored, and then bonds might have to be unloaded more suddenly, and with greater effects on the market, than if the process had been spread out by adherence to minimum liquidity ratios.

After some blunt and not entirely harmonious exchanges between the Bank of Canada and the chartered banks, agreement was reached in November for the establishment of a conventional ratio of 15 per cent to which all the banks would conform. This means, in effect, the addition of 7 per cent of deposits in liquid assets to the statutory minimum of 8 per cent cash. The liquidity ratio, like the cash ratio, will be calculated as a monthly average and not as an immutable daily requirement. It was agreed in November that the new ratio should come into force in June this year. The banks were thus given rather more than six months to replenish their stocks of Treasury bills, which they have been doing consistently. By April the ratio of liquid assets of the banking system as a whole had reached 16 per cent of deposits, though certain banks may still have been below the 15 per cent average they are now bound to maintain.

In the competitive attempt to meet last year's upsurge in business demand for loans, the chartered banks evoked the disapproval of the authorities in another way. As in past periods of boom, they started to finance commitments officially regarded as outside the proper scope of banking accommodation. These included notably the loan of large capital sums for fixed and somewhat lengthy terms, and, as a variant of the same practice, the acceptance of corporation securities in effect by private treaty.

Again, the Bank of Canada stepped in to close the loop-hole in its monetary control. In September it sought from

the chartered banks information about the extent of such advance commitments; and at the meeting in November it was able to show them that future commitments already amounted to more than \$400 million, and that they were growing at the rate of \$50 million a month. Agreement was accordingly reached that the banks would make no further commitments to grant term loans or to accept privately placed corporation securities. Exceptions are made for sums of less than \$250,000, in order to accommodate small businesses that might have difficulty in going to the market; and there is no ban on loans granted pending an issue provided they are refinanced within a year. A similar agreement between the banks was in effect in 1948-49 and in 1951-52. In both periods it was regarded as a temporary anti-inflationary measure, and it lapsed when the immediate pressure had passed. This time, however, the monetary authorities would like to regard the ban on term loans as a permanent limitation of banking practice, though it is by no means certain that all the chartered banks share that view.

In view of the double sanction of these agreements, and the stringency maintained by the Bank of Canada in the money market, there has been some surprise, and some disappointment, that bank loans have continued to climb so rapidly during 1956. Part of the increase no doubt reflects the implementation of commitments made before November. Part must be due to the normal needs of business at a time of rapid expansion. The banks have been willing to make further large sales of government bonds—both to find the necessary loan funds and to buy Treasury bills to meet the new liquid assets requirement. Between the end of 1955 and May 9th, the chartered banks sold Government of Canada securities to a total amount of \$625 million. They increased their holdings of Treasury bills by \$345 million, and their general loans by \$432 million. Since the Bank of Canada has not on balance increased its own bond holdings, prices have edged downward. The effect has been to restore a yield differential of $\frac{1}{2}$ per cent in favour of Canadian against United States Government bonds.

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This relationship is always a major factor that the Canadian authorities must consider when they try to influence the Canadian economy through monetary means, since the movement of funds between the two countries is uncontrolled. When Canadian interest rates are higher than United States rates, there are always some American investors, in particular insurance companies, who are ready to take immediate advantage of a switch. Evidently the risk of an unfavourable movement of the exchange rate provides no general deterrent. At the same time—and here, perhaps, is a more important consideration still for the Canadian authorities—there are plenty of Canadian borrowers ready to go to New York for their money whenever the rate looks more advantageous there.

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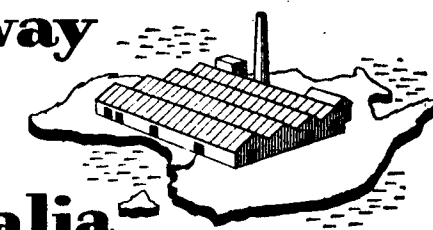
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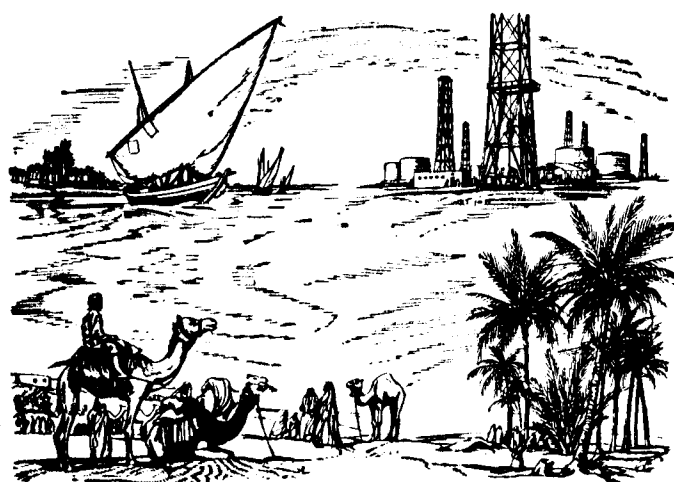
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on the right side. The prospect is that the record deficits on commodity trade that Canada has been running since the beginning of 1955 will be more than offset on capital account. Last year, however, the increase in the deficit on current account led to a running down in the premium on the Canadian dollar, and for a short time in the autumn the exchange reached par.

In influential quarters there is a section of opinion, which may be growing, inclined to the view that a slower rate of

Stronger Medicine for New Zealand

AT 7 per cent, New Zealand's Bank rate is higher than that of any other principal commercial country. The Reserve Bank has reinforced it with other measures to secure credit restriction. Ministers ceaselessly reiterate the need to contain domestic demand in order to restore balance in the country's external accounts. Yet within two years the exchange reserves have been halved; at end-1955 they reached a trough of £65 million—sufficient to purchase imports at the current rate for less than two and a half months. The Royal Commission on the country's monetary system, which reported in April, would have none of the arguments for an easier money policy that were loudly put forward by social credit groups and others: it concluded on the contrary that the medicine administered to the economy had been both too mild and too late.

The disease in New Zealand's economy has much in common with that in Britain's. High taxation, subsidised housing, and other social spending have indirectly discouraged saving. Full employment has encouraged wages to rise steadily. These pressures have been aggravated by the inflationary impact of industrial development. New Zealand has been investing heavily in great long term projects in power, transport and secondary industry, investments that take years to yield results. Most of the equipment for such schemes must be imported, and though New Zealand has been able to finance some of it by raising external loans, an inflationary gap has remained—reflected in the fall in the reserves and in the rise in domestic prices.

New Zealand's troubles have been further complicated by its heavy dependence on world markets for its farm products. Export earnings and farm incomes have fluctuated violently in step with world prices. The result has been to produce a most damaging cycle in the external balance. One season farm incomes and internal prices and wages rise. Big orders are placed in Europe, New Zealand's main supplier of consumer and capital goods; but by the time these goods arrive, at least some four months later, farm earnings may be dropping sharply. Such a process occurred in 1951-52, when the post-Korean wool boom sent New Zealand's earnings soaring; by the time a massive flood of imports began to flow through the customs in 1952, the wool market and New Zealand's earnings had collapsed. A similar though rather milder cycle occurred in 1954-55.

In the early postwar years the New Zealand authorities attempted to deal with these problems by physical controls on prices, wages and imports. In the circumstances of the time the policy was successful, and in 1948 the New Zealand pound was revalued, from £NZ125 per £100 sterling to

development and a smaller inflow of capital from abroad might be in Canada's best interests. But this is not official Canadian policy, and the monetary authorities at the present time, preoccupied with the short term problem, are bound to regard the high rate of imports as anti-inflationary. The corollary is that the high rate of capital inflow must be maintained. If it is not, the authorities would have to restrain Canada's expansion considerably more forcefully than they have in the past year.

parity. In 1949-50 controls were gradually relaxed. The dramatic deterioration in the external balance in 1952 necessitated the reintroduction of tight import controls, but it was clear that some new weapons would have to be found to replace the discarded internal controls. In the three years to March, 1952, bank advances had more than doubled. The requests of the Reserve Bank for a selective reduction in credit had proved ineffective.

Nevertheless, the Reserve Bank was slow to swing to an active policy of monetary control. In August, 1952, it raised the minimum reserve that the banks were required to deposit with it from 7 per cent of demand deposits to 10 per cent. But the move was quite ineffective, as the banks still had ample liquid resources to finance advances. For some time the credit supply was kept down by the recession in domestic demand; but late in 1953 bank advances, investment and prices began to rise again more rapidly. Though payments were still in surplus, the Reserve Bank, mindful of the experience of 1951 and influenced to some extent by the return to orthodoxy in Europe, took its first really effective steps to curb credit. It raised the minimum reserve ratio to 25 per cent of demand and 12½ per cent of time deposits, and thereafter made adjustments to offset the effects of seasonal fluctuations in the banks' liquidity on their available cash margins. In April, 1954, the rediscount rate, which had stood at 1½ per cent since 1941, was raised to 3½ per cent, and in November to 4 per cent.

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The influence of the rate was small, however, and the internal boom continued. Further, an external deficit emerged. Imports rose from £188 million in the first half of 1954 to £247 million in the second half, and climbed higher still in 1955; and exchange reserves fell. In 1955 the monetary pressure was intensified. In three steps between July and October, the rediscount rate was brought to 7 per cent and the reserve ratio tightened further. Moreover, the rediscount weapon was made more effective. By the first quarter of this year consumption, bank advances and imports were at last falling, and the exchange reserves turned upward, though to a disappointingly modest extent.

Quite evidently, the Government's measures have been unduly slow to take effect. That was clear even a year ago; and it was to find out why, to suggest remedies, and to deal with criticisms of even the mild measures that had then been taken that the Royal Commission was set up in

March last year. Its general finding is that while the Government and the Reserve Bank have begun to use orthodox monetary weapons, they have used them insufficiently and belatedly, and have failed to realise that a rise in the rediscount rate means little unless combined with other measures of monetary restriction.

The commission's first main recommendation was that the Government should decide in advance how far it wished to contract or expand credit, inform the banks of its decision, and then put imperative pressure on them to execute it. It found that the use of the reserve ratio and the rediscount rate had been ineffective in the past, at first because the central bank had been too tender in forcing the banks to have recourse to rediscounts and then because the interest paid on them had still amounted to less than the profits made by the banks from higher advances. The commission recommended much more vigorous and speedy variations in the minimum reserve ratio; it seemed to imply indeed that this should be the Reserve Bank's chief weapon.

Another fundamental weakness of policy found by the commission was that notwithstanding the higher discount rate, many types of loan are still available at low rates. It recommended that the artificially low rates on bank deposits and on housing credits should be made flexible. To make the banking system more responsive to central bank action, the commission advocated the establishment of a money market and the granting of permission to the trading banks to hold Government securities. Above all, the Government's financial policy as a whole—its budgets, its public issues and its market operations—should be aligned and framed on the basis of the needs of the economy as a whole, and not merely of fiscal convenience.

Even the implementation of all these reforms, plus wisdom and forethought, could not of course free New Zealand from the problems stemming from its unusually large dependence on world markets. But the commission put forward valuable suggestions for mitigating the effects of the fluctuations. While it rejected pleas for variable exchange rates and for guaranteed prices for exports, it

suggested that farmers' earnings should be smoothed by a system of flexible price supports and by some sort of export tax in time of extreme boom. It rejected any idea of excessive long term borrowing overseas, but it did suggest that New Zealand should ask the United Kingdom to grant short term loans to deal with minor fluctuations. Finally, the commission recommended that New Zealand should join the International Monetary Fund and the World Bank. "No evidence was brought before the commission," it explained, "to support the allegation that the Fund or Bank were dominated or controlled by Wall Street" (a fear that played a part in keeping New Zealand out of these institutions on their establishment at the end of the war). With due solemnity the commission likewise recorded that it had found no evidence that the Washington institutions were under the sway of "a conspiracy of international financiers, either independently or in association with Communists." Given fulfilment of all its recommendations, the commission felt, there was no reason why physical import restrictions should not in time be abandoned completely.

The gist of the commission's words of wisdom has been often heard elsewhere. But its clearly argued analysis should be of particular value in New Zealand. There, monetary tools are unfamiliar, prejudice about their use is rife, and flexible economic policy is still in its infancy. The New Zealand Reserve Bank was set up only in 1933, so that its new course is not a return to traditional methods but an apprenticeship in new ways. The commission has shown how. Its cool cross-examination put to flight the Social Credit witnesses whose original thesis was that New Zealand's difficulties stemmed from a lack rather than an excess of purchasing power. The Government has thus been given not only valuable practical recommendations but also useful moral support for a bolder economic policy. It has now made a further tightening of credit and promised that import liberalisation will be maintained. If stability and freedom are to be achieved in New Zealand's vulnerable economy, the authorities will certainly need to accept and carry out much of the commission's advice.

Pakistan after Devaluation

ON the last day of July, 1955, Pakistan devalued its rupee from a sterling parity of 2s. 2d. to 1s. 6d.—a devaluation exactly equivalent to that undergone by sterling and closely associated currencies in 1949. The Pakistan rupee has thus been restored to parity with the Indian rupee. The decision to devalue was taken reluctantly and only after a long and expensive rearguard action had been fought in defence of the old parity. The operation was neatly executed and, because devaluation had been so often canvassed in the past, its implementation came as a complete surprise to all except the handful of officials directly concerned. The devaluation was actually carried out in the midst of a mounting political crisis (though it was in no way connected with it). Eleven days after announcing the new rates of exchange the Finance Minister, Mr Chaudhri Mohammad Ali, became Prime Minister of Pakistan. It was left to his successor at the Finance Ministry, Mr Amjad Ali, to consolidate the new exchange and to garner the fruits of the promised improvement in competitive strength.

The government furnished to the public a detailed explanation of its action. It attributed its abstention from the general devaluations of 1949 to the fact that exports at that time consisted of a small range of primary products, easy to sell abroad; the primary need in foreign exchange policy was to stimulate the import of capital goods to promote agricultural and industrial development. That policy, the authorities claimed, had served its purpose, and given rise to new requirements. A significant expansion in local industry had been achieved: the country had become self-sufficient in food, cloth of coarse and medium grades, jute manufactures, sugar and matches, and nearly so in cement and paper. Further, output of some of these products was more than sufficient to meet domestic needs; and it was necessary to find markets overseas for the growing surpluses. In particular, devaluation was expected to increase export proceeds of jute manufactures—as well as exports of cotton, tea, hides and skins.

Other important results of devaluation expected by the



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Established 1949

COMPARATIVE FIGURES

Authorised Capital ...	Pak. Rs.	6,00,00,000
Issued & Subscribed ...	Pak. Rs.	6,00,00,000
Paid-up ...	Pak. Rs.	1,50,00,000
Reserve Fund (31.12.55) ...	Pak. Rs.	65,00,000
Deposits (31.12.55) ...	Pak. Rs.	40,18,50,000

	1952 Pak. Rs.	1953 Pak. Rs.	1954 Pak. Rs.	1955 Pak. Rs.
Highest Deposits	28,60,07,000	34,03,01,000	35,66,06,000	47,22,49,000
Advances	24,83,29,000	24,44,64,000	32,10,97,000	34,11,02,000
Internal Business				
Total Sales (Inland) ...	73,95,94,000	98,80,29,000	1,44,14,25,000	1,60,80,50,000
(Drafts, Telegraphic Transfers, Mail Transfers Issued)				
Total Bills purchased and collected (Inland)	30,40,93,000	80,69,83,000	50,61,45,000	50,93,00,000
Foreign Business	39,88,21,000	42,26,91,000	39,08,37,000	72,02,19,000

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government were not openly cited. One was a slowing-up in the development programme—which many people believed to be running too far ahead of the country's real resources—as a result of the higher cost of imported capital goods. Another hoped-for effect was revival of foreign confidence in the currency: for some time the entry of foreign capital had been discouraged by the possibility of imminent devaluation. Finally, many people felt that devaluation would pave the way for closer trade relations with India, and remove one of the incentives to the flight of Hindu capital from East Bengal.

These expectations have been realised to a reasonably satisfactory extent in the past year. In his Budget speech in March, the Finance Minister stressed that the country was becoming increasingly export conscious. He showed that foreign exchange earnings had increased substantially—from £139 million in 1954 to £161 million in 1955. At the same time, foreign outgoings, at £137 million, were £22 million less than in 1954. The upshot was a surplus of £24 million compared with a deficit of £20 million in 1954. The reserves of gold, dollars and sterling rose from £68 million at the end of 1954 to £75 million by the middle of 1955 and, under the stimulus of devaluation, climbed by a further £12 million, to £87 million, by the end of the year. But the Finance Minister rightly pointed out that the improvement in the external accounts could not give grounds for complacency. Imports continue to be held down by a stringent licensing policy (imports on commercial account fell from £87 million in 1954 to £67 million in 1955); and there remain large unfilled requirements for the development programme.

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The stimulus given to exports by the devaluation was strongly felt by raw jute and cotton; and the Government recouped some of the adventitious devaluation profits by raising the export duties. But the most spectacular advance in exports has been in manufactured jute goods. Figures taken from an authoritative Indian source put Pakistan's output of jute manufactures for the twelve months ending March last at £11½ million, of which £6½ million was exported, largely to dollar countries. It is only in this past year that Pakistan's mills have begun to produce to capacity. In the absence of devaluation its jute manufactures would evidently have been outpriced in world markets. The same is true of exports of cotton yarn and also to some extent of the older export staples such as tea, hides and skins, wool and rice. It remains to be seen how long the tonic effect will last. Recently, the outlook has been clouded by a sharp rise in internal prices, accentuated by a serious rice shortage in East Pakistan. Certainly there will be no exports of rice from Pakistan for some months to come.

Among the serious problems facing Pakistan is the continuing threat of inflation. During 1955 the total money supply rose by Rs 58.39 crores to Rs 436.60 crores. This was attributable to the increase in the rupee value of foreign trade transactions resulting from devaluation, to the favourable balance of external payments, and to the growing pace of internal development, which involved considerable Government disbursements. The inflationary effect was enhanced by last year's floods. The impact of these factors is reflected in the sharp rise in food prices.

The Pakistani authorities have not yet succeeded in evolving a strong and purposeful monetary policy. The

Government's borrowing policy has been timid. Two small 3 per cent loans were floated during 1955, bringing in rather less than Rs 17 crores. Sales of Treasury bills "on tap" yielded Rs 18.27 crores, the bulk of which was subscribed under a deferred payments scheme; sales by tender were introduced in May, but yielded no more than Rs 3.50 crores by the end of the year. In the current fiscal year, to March 1957, public loans are expected to bring in Rs 16.60 crores, small savings Rs 11.59 crores, and tender sales of Treasury bills Rs 15 crores; commitments to repay maturing loans amount to Rs 13.40 crores. Receipts of foreign aid are estimated at no less than Rs 78.60 crores. But these will still leave a gap in the Government's domestic financing account. The five year plan recently announced contemplates an outlay of more than Rs 1,100 crores over the period. The need for new and more determined methods of tapping the people's savings is evident.

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The activities of the commercial banks in Pakistan have not been significantly extended in the past year; but they have responded to the expanding needs of Pakistan's commerce and industry. The Pakistani banking scene is largely dominated by the State Bank of Pakistan, which is the central bank, and the National Bank of Pakistan, a government sponsored bank that engages in commercial operations. The National Bank accounts for 64 of the total of 251 commercial bank branches operating in Pakistan, and it also has three offices abroad. The bank plays a major role in financing the movement of the raw jute and cotton crops. During 1955, no less than half of its total advances of Rs 34.32 crores were granted to one customer—the Government of East Bengal. The bank has succeeded in attracting a high proportion of the business in foreign bills: the value of foreign exchange dealings transacted by it rose from Rs 39.08 crores in 1954 to Rs 72.02 crores in 1955. The foreign exchange banks, with their international connections and specialised knowledge, continue to be an indispensable element in Pakistan's foreign trade, but they naturally fear the encroachment of their state sponsored rival.

The activities of the State Bank have frequently been criticised in business circles on the ground that its branches in East Bengal seem to possess very little independent authority or autonomy in their own territory. Transactions involving anything more than a routine decision have almost always to be referred to Karachi, with consequent loss of time (and sometimes loss of the relevant papers as well) and a considerable dissipation of effort and energy. There is a yawning gulf between the trader and industrialist in remote East Pakistan and the official in Karachi, who determines remittance rights, allowable foreign exchange expenditure and the score of other matters that have to be referred to the State Bank for sanction. In theory the eastern and western wings of Pakistan are supposed to enjoy administrative and political parity. In practice, as least so far as banking controls are concerned, the State Bank has delegated far too little power to its offices in the Eastern province. Yet the export industries of that region make a substantial contribution to the country's earnings of foreign exchange. A more enlightened policy in this matter, and the extension of branch banking services, could do much to further the economic cohesion of this somewhat precarious political entity.

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